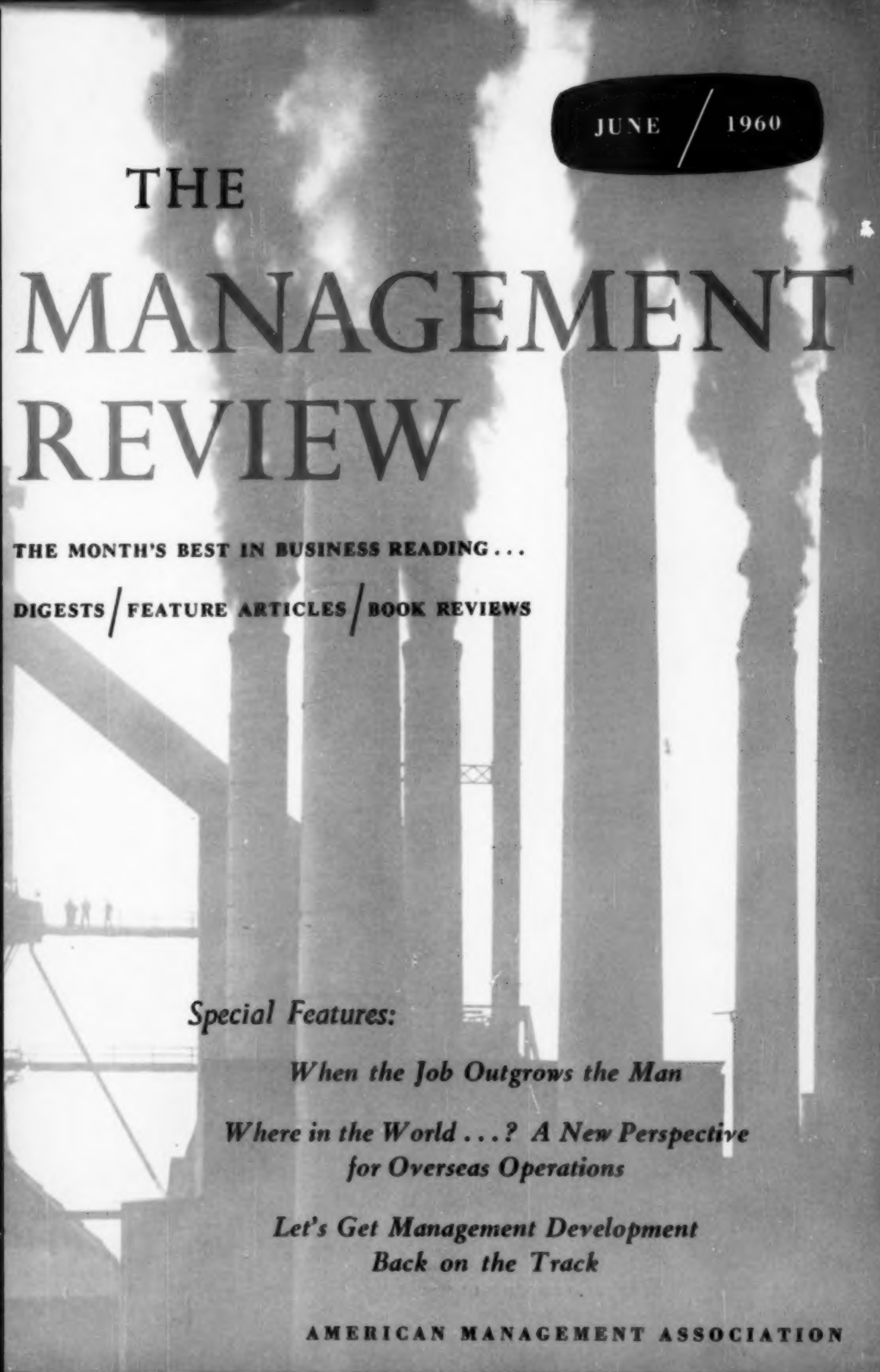

JUNE / 1960

THE MANAGEMENT REVIEW

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DIGESTS / FEATURE ARTICLES / BOOK REVIEWS

Special Features:

When the Job Outgrows the Man

Where in the World . . . ? A New Perspective for Overseas Operations

Let's Get Management Development Back on the Track

AMERICAN MANAGEMENT ASSOCIATION

in this issue . . .

- **Small Pegs in Big Holes.** Times change—but not everyone changes with them. And many a manager has faced the distressing task of dealing with an executive who just can't handle his job any longer—because of resistance to new ways of doing things, declining abilities, or the fact that the job itself has changed to a point where it's beyond his capacity. In this month's opening feature, SAUL GELLERMAN discusses the problem of executive obsolescence—and throws some light on the reasons why it is more often shelved than solved.

- **Where in the World?** It won't be long before increasing pressure from foreign competitors—not only overseas, but in our own domestic markets—will force sweeping changes in the way many U.S. companies are doing business. Until now, many companies have done as much business as they cared to handle by operating exclusively in the United States, or have used foreign operations only as a source of extra profits. But in the years ahead, as JOHN McDONALD points out (page 9), medium-sized as well as large companies may find foreign operations absolutely necessary if they are to remain competitive.

- **Buttons and Bows.** Sad to relate, there isn't very much substance beneath the fancy frills and furbelows of many so-called management-development programs, says THOMAS H. JOHNSON, JR., and one reason is that top management often hasn't thought out just what it expects its program to accomplish. On page 16, he points out what's wrong with some of today's management-development programs —and what has to be done to put them back on a sound basis.

—THE EDITORS

JUNE 1960
Volume XLIX, No. 6

THE MANAGEMENT REVIEW

FEATURES

BUSINESS DIGESTS OF THE MONTH

Trends and perspectives

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When a company grows rapidly, or when new developments change traditional management responsibilities, some executives will inevitably find themselves over their heads in their present positions. Here are the problems and choices management faces . . .

When the Job Outgrows the Man

■ ***Saul W. Gellerman***

SOMETIMES management's thorniest problems are not so hard to solve as they are hard to face. A classic example of this is the problem of the veteran manager who, for one reason or another, is no longer equal to his job. This situation is often at the root of far-reaching problems, especially in a company that is trying to put the accent on progress.

Usually, such men are not hard to identify. In fact, their unsuitability is sometimes painfully obvious, and it is all too clear

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Dr. Gellerman, who has contributed several articles to THE MANAGEMENT REVIEW in the past, is currently engaged in research in employee motivation at IBM. He is the author of *People, Problems, and Profits: The Uses of Psychology in Management,* published last month by the McGraw-Hill Book Company, Inc.

that the most appropriate solution to the problems they present would be replacement by better men. But management's reaction frequently consists of doing nothing at all. The problem is shelved, not solved.

Why are these situations allowed to continue? Many "practical" and "humane" reasons are advanced, but when they are examined closely most of them turn out to be rationalizations. It may be argued, for example, that to replace a well-liked manager would disrupt a happy, smooth-running shop—when the shop is actually complacent, and needs a good jolt to wake it up. Or management may balk at hurting the feelings of a loyal old campaigner—which may simply make a more crushing blow to his feelings inevitable later on.

Of course, not every decision to retain an executive who has been antiquated by his job can be dismissed as a rationalization. Sometimes the probability of an early retirement or the prospect of shifts in functional responsibilities makes it far wiser to let nature take its course than to resort to radical action. But management's own underlying psychology when it is confronted with this problem can play hob with its objectivity and give a bogus veneer of realism to what is actually a shortsighted decision. The question, then, is how to clear away the underlying barriers to realism. Once this is done, the alternative courses of action are not nearly so stark, nor the consequences of action so horrendous, as they may have appeared at first.

"THERE, BUT FOR THE GRACE OF GOD . . ."

Management would do well to examine its own feelings before concluding that it is practical to preserve the status quo for an outgrown executive. Two attitudes, in particular, can debilitate the will to take corrective action: identifying with the "victim," and trying to avoid unpopularity.

When an executive's job is in jeopardy it is quite natural for other managers to feel with a twinge that "There, but for the grace of God, go I." In an era of rapid technological change, it does not take a wild stretch of the imagination to picture oneself in exactly the same predicament some day.

Quite often, however, this type of feeling goes further than mere

sympathy and fosters a small but gnawing fear in the back of an executive's mind. It seldom shows itself clearly enough to be put into words, but if it did, it would sound something like this: "Taking action against this man could set a precedent that would eventually trap *me.*" This feeling, based more on fear than on logic, lies behind many a softheaded decision by many an otherwise hardheaded executive.

Irrational ideas can sway anybody's thinking, as long as they are too dimly conceived to be recognized for what they are. Consequently, the real danger of this kind of fear does not lie in feeling it, since that is quite natural, but in not facing it. It takes a bold executive to face up to the possibility that he may have allowed a fear to affect his decision, but the only real defense against self-deception is an awareness that it is not at all impossible—or even unusual.

AVOIDING UNPOPULARITY

Many executives dread the thought of being widely disliked within their own organizations. Up to a point, this is quite realistic: grudges and suspicions impose severe handicaps on a man who must get his work done through other people.

But sometimes a manager seems to feel that unpopularity would have a catastrophic effect on his career and must therefore be avoided at all costs. Such a person naturally shrinks from the risk of looking like a hatchet man. He can cheerfully endure another executive's indecision and outmoded ideas when the alternative seems to be a reputation for meanness.

The fact remains, however, that a certain degree of unpopularity is inevitable for anyone who has the power to hurt other people's careers, regardless of whether or not that power is used. The mere possession of power is enough to make an executive unpopular with some of his subordinates, especially those who, fearing that their own work has been inadequate, may have good reason to be wary.

Naturally, when management moves to replace a veteran executive, resentment flares—not only in the man himself, but also in those who may feel, rightly or wrongly, that he was dealt with unfairly. But this resentment is not created by the act of removal; it is simply a stronger and more obvious expression of feelings that

are already present in any relationship between managers and the managed.

The real problem, then, is not to avoid unpopularity, but to manage it. Nothing makes this harder than a secret conviction, somewhere in the executive's mind, that his decision may be wrong and that he may deserve to be disliked. This kind of insecurity may not be very becoming in an executive, but it is not uncommon. Excessive fear of unpopularity is often a mask for a lack of confidence in one's ideas. The good will of subordinates is a form of reassurance to the uncertain executive. When this reassurance is lost and people seem to turn against him, he is likely to take it as a sign that he has finally made that colossal blunder he always feared he'd make.

Given such an underlying psychology, it is easy to see why so many "good" reasons are found for avoiding a showdown with an old-timer who has the respect and friendship of many people in the company. Obviously, until such underlying emotional roadblocks as these are cleared away, any proposals for managing executive obsolescence realistically will be purely academic.

THE OBJECTIVE APPROACH

Whether the removal of an obsolete executive precipitates a crisis or is taken in stride by the others in an organization depends to a large extent on the emotional preparation of the executives who do the removing. Because the men who must take action frequently become a major part of the problem themselves, the first step in managing the problem of high-level deadwood is for management to do enough soul-searching to insure that it is being as objective as possible.

Winston Churchill was criticized after the Japanese attack on Malaya for sending a very dignified note to the Japanese ambassador, advising him that Great Britain considered a state of war to exist between their two countries. His reply was, "After all, when you have to kill a man it costs nothing to be polite." It costs even less when one merely has to remove a man from an office he is no longer qualified to hold, and it can save a lot of misunderstanding and dissension for all concerned.

Being in too much of a hurry to get an unpleasant task over with

leads to brusqueness, tactlessness, and inadequate explanations to the affected executive and his associates.

Very few men in management need to brush up on Emily Post, but no one is on his best behavior when he is unsure of himself and on the defensive. The men who are faced with this kind of decision must be inwardly convinced of its rightness and of their own qualifications to make it in order to bring it off with the delicacy, timing, and thoroughness that it requires.

INGRATES AND EXECUTIONERS

Realistic planning must take account of the likelihood that, regardless of how well justified removal may be, it will probably be viewed otherwise by those concerned.

The affected executive may see the decision as a potentially destructive blow to his self-esteem. To prevent such a catastrophe in his own psyche, he is likely to take the attitude that the decision is a serious mistake, that the people who made it are incompetent or unworthy, and that in any event this is damned shabby treatment of a man who deserves as much gratitude as he does.

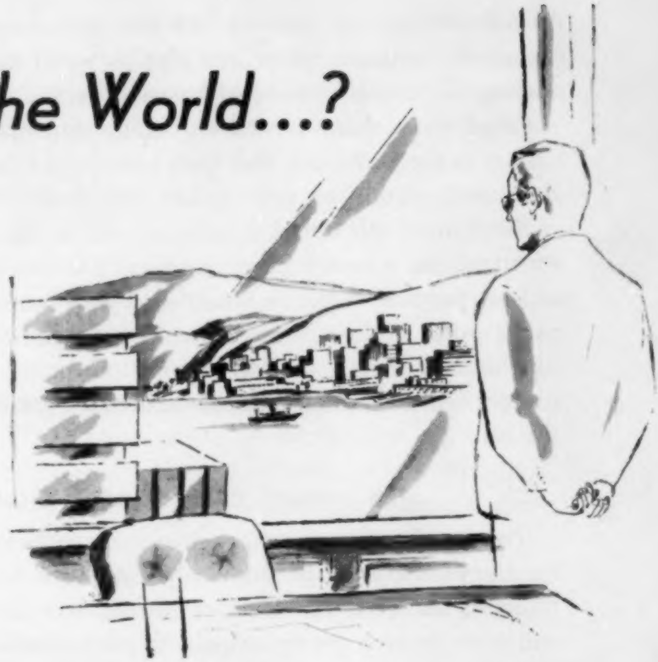
His friends, protegés, and sympathizers in the company will often be indignant at what they consider harsh and unjust treatment. Moreover, they may see the decision as a threat to their own security, partly because it removes a protector and benefactor from the scene, and partly because it reminds them that they are, if anything, even more vulnerable than he was. Their outrage may be at least partially a form of mobilization against what looks like a potential attack on them.

In short, the men responsible for removing an obsolete executive are likely to be perceived as incompetent ingrates on the one hand, and as scheming executioners on the other. There is probably no way to prevent this kind of hysteria altogether. Whether it dies down or persists as a chronic morale-poisoner depends to a large extent on how management handles itself during the initial furor.

If management goes on the defensive by implying that the same fate is in store for those who object too strenuously to the removal, it simply perpetuates animosities that could eventually get out of hand. The same is true when management tries to avoid criticism

(Continued on page 67)

Where in the World...?



A NEW PERSPECTIVE FOR OVERSEAS OPERATIONS

■ *John G. McDonald*

McKinsey & Company, Inc.

Economic forces at work in the world today will soon force many companies to make radical changes in the way they are doing business. Some, who have done so in the past, will find that it is no longer possible to conduct their business solely in the United States, using foreign operations, if at all, as a way to make an easy extra profit. As conditions all over the world change, we will have to compete with industries in other countries for markets and for raw material supplies; we will have to exploit new products fully, and in as many areas of the world as possible, to make them profitable before they are outmoded by technological advances here and in other countries; we will have to take a new look at presently underdeveloped areas that will eventually develop into major markets.

And always, we will have to face increasing competition from the communist nations, whose activities in world markets are already causing concern in free world business circles.

Faced with these conditions, many American companies are coming to the realization that their growth and survival in the years ahead will require an entirely new perspective. The narrow view of the domestically oriented company will no longer enable them to withstand the pressures of competition, and they will have to adopt, at least to some degree, a world-enterprise concept—accepting the entire world as their business arena, and conducting their purchasing, manufacturing, and marketing operations wherever in the world it will be most appropriate and most profitable to the corporation.

THE IMPACT OF ECONOMIC CHANGES

To see why this sweeping change in outlook will be necessary for many companies, we need only look at the major forces that are changing the economic facts of life all over the world—and that will have an even greater impact in years ahead:

- *The population explosion.* At its predicted growth rate, world population will double in the next forty years—from three to six billion. In ten years, United States population will grow from 175 million to 200 million; India's population, from 400 million to 500 million; China's, from 650 million to 800 million (an increase almost equal to the present population of the United States). This explosive increase will cause many problems, especially for the underdeveloped nations, but it will also create tremendous demand for goods and services.
- *The revolution of expectations.* All over the world, there is an increasing appetite for better standards of living. In areas with lower living standards, the problem will be one of making more consumer goods available; countries with already high standards will have to develop new markets, sell more products per household (e.g., two cars per family), and develop new and exciting products.
- *Depletion of raw material resources.* As the appetite of industry grows, raw materials are being eaten up at a dramatic pace.

This means that the industrial nations must develop new sources by investing overseas, expanding research programs, and developing more efficient extraction techniques. They will have to substitute materials that are plentiful and cheap for those in short supply. And they will have to improve usage by reducing waste, reusing scrap, and replenishing supplies wherever possible.

- *New competitors.* Two of the powerful competitors now emerging on the international scene are the European Common Market and the Soviet Union. Because of the competitive advantages these two traders will enjoy, other nations will be under even greater pressure to strengthen their own competitive positions. The cost of products and services will have to be reduced by employing better production and distribution techniques and by creating new products to outmode those already in use.
- *Changes in the traditional flow of trade.* As more nations become self-sufficient in many products and increasingly efficient in production, each nation competing in world markets will have to be more sensitive to the changing appetites and needs of its traditional customers. In addition, each will have to capitalize more on the assets of foreign nations. (The United States, for example, could perform research in Europe, where the research dollar often will produce more than in this country.) And each competing country will have to participate more actively in growing areas through investments.
- *Technological changes.* Because the technical gap among the developed countries is narrowing, there is a greater need to exploit innovations before they are outmoded by another country's research program. The number of scientific contributions being made by each country is increasing rapidly. For example, although the American semiconductor industry is the largest in the world, one of the latest developments in this field has been the tunnel diode, which was invented in Japan. Because of this technical vulnerability of even the largest industries, there is going to be increasingly greater pressure on each country to exploit its new products as rapidly as possible and in as many countries as possible.

- *Underdeveloped nations.* Although the developed nations represent the bulk of the world's industrial activity and are therefore the areas with which we will be most concerned in the near future, underdeveloped nations will demand more attention over the long term. Accounting for two-thirds of the world's population and land area, these areas now supply much of the vital raw material for the world, and they hold major reserves for the future. They will continue to be important in this role, but in the long run they will also provide vast markets for goods and services.

OPERATING ABROAD

Many American companies have already begun to adapt themselves to developments overseas. Some have established their own import and export departments, some have entered the foreign licensing field, and others have established manufacturing facilities overseas. In 1955, for example, Angel's *Directory of American Firms Operating in Foreign Countries* showed that there were about 300 companies manufacturing in Europe; the latest edition, in 1959, showed over 1,000. These corporations made their moves on the basis of the economic factors discussed above, and their reasons will be important to many other American companies that may soon face similar situations. Here are some of them:

1. *Vulnerability to foreign competition.* Foreign producers have shown that they can secure a sizable portion of the United States market—sometimes as much as 50 per cent. Examples of products that have successfully penetrated the U.S. market are watches and watch movements, sewing machines, transistor radios, automobiles, heavy electrical equipment, textiles, and typewriters.

2. *Customer service.* Quite often, customer service has to be extended overseas. If a client or customer goes abroad, he expects the same type of service there that he is getting here. Suppliers and service organizations in America often find themselves incapable of rendering satisfactory service to clients who have already expanded or who are about to expand overseas. As a result, many of them have followed their customers and clients; in the service field, for example, advertising, banking, and management consulting are all becoming international in coverage.

3. *Profit squeeze in domestic business.* Some companies are in industries that have a high market penetration in the United States. In these industries, increasing labor and material costs are causing increasing profit squeezes. For many of them, attractive opportunities exist overseas in countries where market saturation is much lower.

4. *Recession-proofing.* In 1958, a number of companies found that they were extremely vulnerable to cyclical downswings in the American economy. Those that also did business overseas, where the recession was not quite so drastic, managed to cushion the fall in domestic profits with their steadier overseas profits.

5. *Employment of idle assets overseas.* Many companies have idle fixed assets, and many are sitting on cash balances that could probably be employed profitably overseas. In a recent survey, about one-third of a representative group of American companies operating overseas reported that they had a higher return on overseas investments than they had on some of their domestic investments.

6. *Diversification.* Many United States companies have been following aggressive diversification programs. As a consequence, competition has become so stiff that the costs of acquisition in this country are far out of line, and many of these companies are therefore looking overseas. Some companies cannot acquire any more in the United States because of antitrust laws, and they, too, are looking abroad.

Clearly, then, there are many forces at work that make an international outlook increasingly important. Of course, the impact of these forces will be greater on some companies than on others, but it seems certain that many companies will sooner or later be faced with a greater need to integrate their operations on a world-wide basis.

AN INTERNATIONAL PERSPECTIVE

To meet these problems, some companies are adopting what we might call the world-enterprise concept. Of course, this concept is not applicable to every company; it is most appropriate in cases where the present or planned volume of domestic and overseas business requires a high degree of integration. To a degree, however, it can be applied to particular phases of many other businesses

(*Continued on page* 71)

Man of Indecision

By Richard Armour

Mr. Percival Thwaite was a man never late
And to laziness never inclined;
He was always true blue, and reliable, too—
But he never could make up his mind.

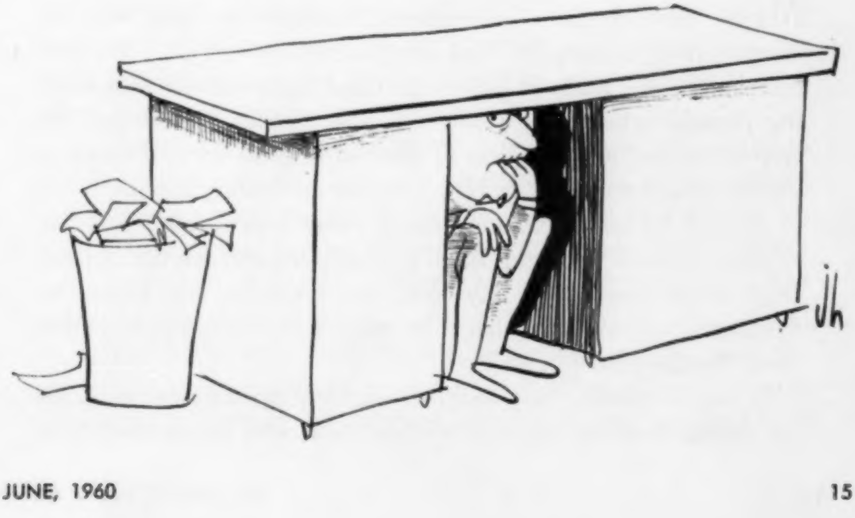
When he ordered a meal, he appeared to congeal
At the choice of a dish—hot or cold one;
When he shopped for a suit, every choice was so moot,
He chose none, and went home in his old one.

To his place of employ Mr. Thwaite was a joy—
Someone steady, if lacking in vision.
Not a fellow to shirk, Percy ground out the work,
But he never could make a decision.

Did our hero then soar to the swank upper floor?
Did he gain an executive suite?
Or was Percy held back, and perchance did his lack
Of decisiveness cause his defeat?

Well, believe it or not, he did reach a top spot,
Though it took him, admittedly, long.
His career had no blight: though he never was right,
More important, he never was wrong.

So dampen no eyes for old Percy, whose rise
Was unblemished by error or blunder;
But rejoice and be glad if you never have had
Anybody like Thwaite to work under.



Let's Get Management Development Back on the Track

■ ***Thomas H. Johnson, Jr.***
Program Manager of Facilities
Reaction Motors Division
Thiokol Chemical Corporation

MANY PRESENT-DAY management-development programs are inappropriate, inadequate, and economically wasteful. Too often, companies seem ready to get on the bandwagon without first thinking through where they want it to take them. Arbitrarily, they establish some kind of course in assorted subjects deemed useful to the budding executive, provide voluminous reading lists of books, or sponsor "in house" seminars based rather superficially on charts, exhibits, and other training aids. By thus going through the motions, they satisfy themselves that they are providing the means for developing the executive talent to meet their critical management needs for the years to come.

It isn't surprising that such management-development programs are failing to realize the high hopes of those who inaugurated them.

A program of this kind is based on three fallacies that doom it from the start: (1) it assumes that just "having a program" will develop everyone into a top manager, regardless of his innate capacity; (2) it is designed to fill vacancies that will be created by normal attrition in the existing executive ranks, instead of training men to meet the more complex executive responsibilities that will be common ten, fifteen, or twenty years hence; and (3) it throws the entire burden on courses and lectures, and only pays lip service to one absolutely essential means of management development—guided experience in the actual job of management.

EXECUTIVE RAW MATERIAL

We have all heard that management development is self-development, and that the wholehearted cooperation of the individual is necessary if management's attempts to assist him in his growth are to succeed. But we must face the fact that, even assuming genuine desire and eager cooperation, every supervisor and junior manager does not have the potential for developing into a top-caliber top executive. The majority of employees reach an ultimate plateau fairly early in their business careers. The deciding factor may be a limited intellectual capacity, but more often it is a self-imposed barrier. Not all people wish to assume responsibility; some lack the drive and enthusiasm that make for promotion; others consider success a relative matter and prefer working out their business years at a self-selected level—doing an acceptable job with no yearning for promotion or accolades. Many in these categories may voice their hopes for greater ultimate achievement, but the habit patterns do not change, and few who have committed themselves to a given plateau ever rise above it.

Be that as it may, these managers and supervisors are needed in the business enterprise. They are clearly too good to fire, yet not good enough to promote. Accepting this situation as a fact of life is important to the director of organization planning and development. There is little use in directing much development effort toward static employees. Managers must place their time and endeavors at the disposal of the industrious, the capable, and the ambitious. It is not difficult to spot the individuals who set personal objectives and realize the urgency of self-development, and it is

from them that the raw material for management development must be drawn.

Other sources of potential executives, of course, include the colleges, trade schools, and business schools. Personnel development actually begins with the recruiting effort, and management should bend every effort to select bright, ambitious, aggressive, and talented people. This in itself is hard enough, but keeping them after they are hired is no less difficult. If their jobs are not sufficiently challenging or rewarding, or if they see no future for themselves in the organization, they will be fair game for other companies with equally pressing needs for future managers.

But all the raw material in the world will be useless unless management has a clear idea of what it wants the management-development program to accomplish. It is unreasonable to expect a program to resolve present executive manpower needs. Today's crises are already here, and they must be met today, even if this means compromise and makeshift measures. But the critical decisions that will determine the success or failure of the company in the years ahead will be made by men who are the trainees, recruits, and junior executives of today. It is in preparing men to meet the responsibilities of the future that the management-development program can make an invaluable contribution.

The program that develops tomorrow's top executives must be based on reality. A strictly "schoolroom" program that does not encompass the everyday dynamics of the business will not only prove inadequate, but will also disrupt the functions that provide the organization with its income. Off-the-job training can be invaluable in helping managers improve their skills of planning, organizing, communicating, motivating, decision-making, and other techniques of management. But it must be combined with, and keyed to, actual experience in the job of management. For in the final analysis, only experience can impart the ability that makes a successful executive.

ESTABLISHING THE PROGRAM

Innovations in customer creation, products, and marketing will not merely increase the number of management positions in the years just ahead—they will critically alter the scope of these

positions and create numerous areas of responsibility that are not part of today's organization structure. Therefore, a rational approach to management development requires a carefully designed long-range plan. Management must set objectives to guide the planners—not the objectives presently ordained, or those easiest to achieve, but those that will enable the corporation to exist and grow in a controlled and anticipated fashion. Obviously, planning such as this can be neither easy nor 100 per cent accurate, but it should be possible for management to produce an effective and acceptable long-range plan that will define the customer they intend to create, identify the innovations necessary to attract this customer, and plan the marketing effort that will best suit the circumstances. Minor modifications may be required from time to time, but radical alterations should not be necessary if the problems have been carefully thought through.

Once the long-range plan has been developed and accepted, manpower tables can be drafted to identify the management positions and areas of responsibility that will have to be accounted for in the future. It is with these future positions that organization planning and development should be concerned, not with today's inadequacies.

INTERNAL DEVELOPMENT

Those responsible for organization planning and development should make an analysis of the management manpower resources presently on the payroll, determine the probable loss from normal attrition, and make recommendations on what may be done to decrease the loss of valuable employees. The planners should also study existing performance-appraisal reports and review each one in depth with the manager who made the appraisal and his superior. This procedure can bring to light specific shortcomings and lack of experience that may hinder individuals in performing the management duties that the enterprise will require of them in the future.

Deficits in experience and management skills can only be rectified by requiring the individual to perform actual work in the areas where weakness is apparent. It is the duty of each incumbent manager to draw forth the best talent of each subordinate in the

interests of the organization. He must set his objectives so that they will be in harmony with and in support of the corporate objectives. He must fairly and accurately appraise the performance of each man reporting to him and discuss the appraisal openly and frankly with the individual concerned. He can accomplish the required development by increasing his subordinates' job scope and responsibilities, or by assigning special projects or studies. In all circumstances, however, the jobs should be real functions, never "made work." Errors in judgment and application are inevitable, but the guidance and judicious monitoring of the executive will insure that they are not dangerous to the enterprise.

Concurrently with the development of employees presently on the payroll, the organization planners must concern themselves with future staffing requirements. Broadly speaking, they must consider three categories of management positions: (1) existing jobs that will become vacant from attrition, (2) new positions in functions created by innovation and marketing, and (3) new positions that will require highly trained specialists. The first two categories do not pose any problems that the development program cannot handle, but the third is a matter for critical concern and discreet planning. If it is anticipated, for example, that in 1970 the services of five astrophysicists will be required, and that each must hold a doctoral degree and have four years' post-doctoral experience, recruiting efforts would have to begin in 1965 at the very latest. Even with five years' lead time, the employment department would be hard put to fill the five requisitions. Acquiring the services of five highly competent general management executives would, of course, be equally difficult.

COMMUNICATION AND MOTIVATION

The task of the organization planner, then, is to analyze present and future management needs. He bends every effort to see that "in house" personnel are undergoing development, but he leaves the responsibility for this development to the individuals' superiors. Additionally, he makes it generally understood that management development can only pay off in the future; it is not a cure for today's corporate ills.

As in any other program, success in management development

will depend heavily on effective communication and motivation. It is of paramount importance that company officers be thoroughly cognizant of the total plan. Top management must be convinced that organization planning and development is of critical importance, and that the continued success of the enterprise can be endangered by a failure in implementation. Further, the chief executive should make it abundantly clear that he firmly supports the program; too many business efforts tend to deteriorate from lack of support.

Supervision at all levels of the organization must devote its wholehearted effort to implementing the management-development program. Probably the most important way to gain the cooperation of all levels of management is to insure that they clearly understand the program in its entirety: what is being done now, and what will be done over the years. The need for a calculated program of organization planning and development should be demonstrated, and a decisive effort should be made to time-schedule completion dates for various stages of accomplishment. In addition, the answers to these questions should be provided: Where will greatest development emphasis be placed, and what is the reasoning behind this decision? Who is charged with the responsibility for individual development, and who is responsible for monitoring the corporate endeavor? By what individual and group action is development to be engendered? Through individual meetings of managers and the program director, and in conference meetings conducted by the chief executive, this information can be disseminated throughout the organization.

MEASURING RESULTS

Exact measurement of progress in management development is not possible, but it is not difficult to determine, with a reasonable degree of accuracy, how well the objectives are being met. Sudden separations due to death or change of company affiliation should not be so unexpected that they upset plans, and lead times for positions created by innovation and marketing should be sufficient to allow for proper development without crisis. Most important, the development rate of available manpower should be compatible with attrition, the requirements of new openings, and the broadening needs of a growing organization.

The results of the program will be in direct ratio to the abilities and efforts of the organization's present managers. It is often difficult to educate section and department heads in their continuing responsibility for the development of their subordinates. It is comparatively easy to secure lip service, but the urgencies of today's needs tend to subordinate the true importance of nurturing embryonic talent. The organization planner must see to it that the program retains proper emphasis—in the chief executive's mind, and in the daily operations of the various departments.

It might seem that an effective program of management development would make promotion from within an ironclad rule throughout the company, but it is doubtful that this would be a wise policy. Even if a large reserve of potential management talent were available—a truly rare circumstance—the organization would be remiss if it did not occasionally add new viewpoints, new philosophies, and new challenges from the outside. Over a period of time, the strangling effects of promotion strictly from within develops an inbred climate that is debilitating and corrosive; the health and vitality of the organization is bolstered by the occasional acquisition of managers from other companies. But outside recruiting should be resorted to only when the need is manifest. Filling too many management posts with outsiders will result in a serious morale problem among company employees—and will lead to a drop in productivity.

PLANNING AND DEVELOPMENT

Successful organization planning and management development is an extension of the same sound management practices applied every day in the course of routine business. Before sound management practices can be achieved, someone must determine the company goals, spelling them out in understandable terms; someone must organize the work and the personnel in a manner best suited to attain the objectives; someone must communicate the plans to those responsible for implementing them, and motivate them to undertake the task; and someone must apply standards of measurement to the effort. These same steps, diligently applied to organization planning and management development, can bring great rewards from a moderate investment of time and money. ♦

Industrial Plant Facilities:

THE OUTLOOK FOR

- EXPANSION
- MODERNIZATION
- CONSTRUCTION

Condensed from Dun's Review and Modern Industry

By Thomas Kenny and Melvin Mandell

THOUSANDS of new plants will spring up on the industrial landscape as companies prepare for the decade ahead—but most of the production gains will result from extensive modernization of existing capacity. This is the principal finding in a new *Dun's Review* survey of industry's plant facilities—present and planned.

Most companies are certainly not short of production capacity with which to meet the projected demands of the next few years. But there is a marked shortage of efficient, low-cost capacity—the kind that determines a company's success or failure in the marketplace. In order to stay competitive with other members of their industry, the 197 companies surveyed are planning sizable increases in production capacity by 1965. Most of the increase is expected to result from modernization of existing plants. For instance, in companies with sales of $1 million to $5 million, modernization will provide 66 per cent of total new capacity. For companies with sales from $5 to $10 million, the comparable figure is 55 per cent, and for those with sales from $10 to $25 million, it is 50 per cent. Among companies with sales from $25 to $50 million, modernization is expected to provide only 40 per cent of new capacity, and for those with sales from $50 to $100 million and more, the figure is 50 per cent.

Industry's modernization plans will almost certainly bring a new peak in plant and equipment expenditures before the decade is far along. This spending would be further encouraged if pressure on Congress from both business and the Administration succeeds in revising

the current tax regulations pertaining to depreciation schedules.

What about new-plant design? According to the survey, plants are being designed primarily to accommodate the new automated and semi-automated production equipment expected to be available by the time the plants are completed.

Management's increasing sophistication in the technical aspects of plant design is helping to avert some costly problems. For example, companies are becoming increasingly aware of the critical importance of setting the dimensions of the plant module (the basic unit of measurement, based on the size of the plant bay). Accordingly, more and more companies are working closely with plant architects on this problem and giving detailed consideration to the space requirements of the proposed production equipment. Actually, today's highly automatic equipment often makes such preconstruction co-operation a necessity. And even with conventional machines, the penalties of "leaving all that to the architects" can be severe. Too small a module, of course, spells trouble in installation, operations, and maintenance; less obviously, too much space can hamper efficient materials handling.

No longer is the plant conceived as an imposing, unchanging structure that will serve the company's needs for the next 50 years. The demand now is for flexible buildings that can be easily expanded and that allow space for the rearrangement of equipment.

Management is discovering that built-in flexibility is the best way to avoid obsolescence—potentially the greatest single cost in a plant-construction program. Because of the rapid technological advances being made today, a building that is completely modern at the drawing-board stage may be obsolete by the time its construction is completed.

Companies are providing for this flexibility mainly by planning for wide bays (about 60 feet), using curtain-wall construction that can be easily dismantled, allowing ample head room (about 14 feet), and installing utility lines that can handle larger future volume.

A good example of the way provision is made for future expansion can be seen at the new Bissell, Inc., plant near Grand Rapids, Mich. Power facilities in the plant were designed with an add-on feature. Room was left in the power plant area for an additional boiler to handle a plant addition half again as large as the existing plant.

Industry's expansion plans also show up vividly in the amount of land being acquired at new plant sites. For instance, the new plant of the Dayton Rubber Company near Springfield, Mo., occupies only six acres out of a total of 62.

The trends in factory design and construction that became clearly evident during the 1950's will be even more pronounced in the decade ahead. According to the survey, here are the major trends:

- Brighter, more spacious production areas—for both safety and esthetic reasons. Generous use of color.
- Much more use of air conditioning throughout the plant—not merely for the manufacturing process,

but for comfort in general production areas.

- More flexibility in factory design through the greater use of curtain-wall construction.
- Standardized and prefabricated buildings that can be erected quickly.
- More and better facilities for employees as plants continue their push out of the cities.

The one-level plant, which has become almost the universal pattern for new plants in many industries, will probably continue to gain in popularity. However, new techniques in materials handling and automated production may result in renewed interest in multistory production buildings. In fact, a sizable minority of the surveyed companies (41 out of 197) actually see such a development in the near future.

More than any other factor, it is automation that will determine the design of tomorrow's plants. The majority of the companies surveyed think that automation will require consolidated rather than dispersed production facilities. And they point to the need for large production runs in order to work off the cost of the automated equipment as rapidly as possible.

In some companies, automation is expected actually to reduce the investment in bricks and mortar. A thoroughgoing modernization plus installation of up-to-the-minute production machinery will make it possible to get far more production out of the same square footage of plant space. However, older buildings must have wide spans and good ceiling clearances to accommodate new automated equipment.

A number of the surveyed companies expect their future plants to be much more compact in design and layout than those constructed in recent years. They expect to build plants around fewer but larger units of automated production equipment, which will be under centralized control. Also, the reduction in needed manpower will enable companies to cut the space requirements for employee service facilities.

To a large extent, both the shape and size of a new plant are determined by whether or not warehousing will take place at the factory and how much space it will require. The need for warehousing space in most future plants will increase because of the spread of high-speed automated production equipment, the growing practice among many companies of carrying inventories for both customers and distributors, and the preference for adding to their own warehouse space rather than renting more outside warehousing.

At the same time, new techniques in physical distribution, like piggybacking, containerization, and air freight for routine shipments, should enable many companies to reduce their total stocks of finished goods.

In providing space for warehousing, companies have generally had two choices: to modernize existing buildings not originally constructed for warehousing, or to put up new buildings specifically designed for warehousing. Among the 197 surveyed companies, the choice—almost three-to-one—is to construct new buildings specifically designed for warehousing. This preference is particularly marked among food pro-

ducers. A large proportion of the machinery manufacturers, however, find that converting existing buildings is more economical for their purposes.

Although the production line remains the center of management's attention in most industries, there has been increased emphasis in the past few years on nonproduction facilities like research labs, technical centers, distribution centers, and other supporting facilities.

These supporting facilities are more up-to-date than the production plants in one-third of the companies surveyed, about on a par with the plant in half of the companies, and somewhat lagging in only one-sixth. It is primarily in the smaller, one-plant company that research facilities match the production plant in general efficiency, age, and design.

The surveyed companies report, too, that their research labs are generally in much better shape than their warehousing facilities.

Management in many companies is coming to recognize that economics and administrative capabilities may dictate a maximum size for manufacturing plants. Seventy-eight of the survey respondents report that they seem to have hit a maximum economic size for a plant in their industry.

Many more companies in the $25 million to $50 million (sales) group have encountered the problem of maximum economic plant size than companies of other sizes. The reason may be that many companies in this size group attempt to supply growing markets by expanding the size of the plant rather than by adding new facilities.

Although there is wide variation in plant-size limitations even within industries, the maximum size of 500 employees is most often reported. The primary reason given for limiting the plant size is managerial control, but many companies also mention disproportionate increases in overhead when a plant grows beyond a certain size level.

Among some of the companies surveyed, small, scattered plants are preferred to larger units, in order to avoid complete shutdowns of production in the event of labor problems.

A number of the companies indicate that the size of their individual plants is determined only by the ability of the market to absorb their products. This, in turn, depends upon the companies' ability to get to the market with products at competitive prices.

Among the surveyed companies with more than one plant, those expecting increased decentralization of their production facilities during the next five years are twice as numerous as those expecting consolidation of these facilities. Nearly half of the 173 multiplant companies look for very little change.

Additional plant changes are being based on consideration of the worker. Companies are finding that improvements in the working environment can prevent fatigue and boredom and enable the worker at the machine to avoid costly mistakes. And industry now knows that a pleasant work environment can also be highly effective in attracting the skilled employees who will be in noticeably short supply in the years ahead. ◆

Committees
ARE HERE TO STAY

By Rollie Tillman, Jr.

Condensed from Harvard Business Review

In the face of an unending stream of jokes lampooning committees, the committee nevertheless stands as a conspicuous — and permanent — part of today's business scene. To discover the role committees actually play in business organizations—how many executives devote how much time to them, what their functions are, and how they are appraised as administrative devices—*Harvard Business Review* surveyed 1,200 executives on the subject.

Despite sentiments that committees take up too much time and that there are probably too many of them, executives feel, in general, that committees are useful—*if* committee members are well chosen and *if* meetings are effectively organized. But all too often, say executives, the committee falls far short of this ideal performance. Other survey findings are these:

• Regular or standing committees are found in over 80 per cent of the firms studied. The larger the company, the more likely it is to have one or more established committees.

• Top executives are involved in more committees than are colleagues lower down the management ladder. Moreover, top executives are more favorably inclined toward committees than men at lower management levels.

• The average executive spends nearly 3½ hours a week in committee meetings, serves on three committees, and thinks that this is just about the right number. He finds an average of seven fellow executives sitting with

him on each committee, but wishes that there were only four besides himself. Generally, each of his committees meets about every two weeks.

• In addition to these formal committee meetings, he spends the equivalent of one working day a week—an average of 9½ hours—in informal conference and consultation with fellow executives. He feels that this is worthwhile, but recognizes that the time spent in such activity could get out of hand.

• Committees are considered important devices for sharing information, cross-fertilizing ideas, and promoting coordinated management. While there are some executives who would allow committees to vote decisions and make policy, there are many more who prefer that committees limit themselves to giving recommendations and advice to the executive held responsible for the decision—frequently the chairman of the committee.

• The committee *per se* does not provoke criticism. Indeed, a mere 8 per cent would abolish all committees if given the chance. Executives say that the issue lies instead with the quality of committee membership and the way in which meetings are run. The key to the solution, as far as most executives are concerned, is the committee chairman.

These are some of the details revealed by the study:

Extent. Some 60 per cent of all respondents indicate that they are now serving on one or more of the regular committees in their companies. An additional 8 per cent state that they have served on a committee in the past, although not on any committee at present. As for executives in top management, 81 per cent serve on committees, whereas only 50 per cent of executives in lower middle management do so.

Members. How many executives are there on a typical committee? For the 1,658 committees recorded, the average membership is eight. Asked to comment on membership of committees, 4 per cent of the committeemen say the number is too small, 66 per cent feel it is adequate, and 30 per cent regard it as too large.

Executives felt that the "ideal" committee should have fewer men on it. Odd numbers are favored, and the average preference is for five men.

Informal talks. There is, of course, a great deal of informal conference and consultation that supplements and, in some cases, substitutes for committee sessions. Most executives feel that it is necessary, helpful, and productive. Only 13 per cent of all respondents feel that they spend too much time in consultation, 59 per cent are satisfied with the amount of time they spend, and 29 per cent feel they spend too little time.

Varieties. What kinds of committees are there? Probably as many as you can think of. The most common variety is general management committees, and they meet, on the average, about twice a month. The next two categories—finance and control, and labor and personnel committees—occur nearly equally, but the former meets on the average of twice a month, while the latter usually meets monthly.

What do these committees do? Most executives feel that the committees they serve on are multifunctional

in character. In fact, only executives serving on marketing and production committees show much agreement on the respective tasks of their committees. There are, however, certain patterns. For example:

- Executives serving on public-relations committees cite advisory functions most frequently.
- Executives serving on general management committees cite policy functions most frequently.
- Executives serving on marketing committees cite review functions most frequently.
- Executives serving on R&D or new-product committees cite planning most frequently.

Attitude. Executives at all levels of management seem to agree that committees are necessary. When asked if they would abolish all committees in their companies if given the chance, a resounding *no* came from 92 per cent of all respondents.

At the same time, however, executives voiced a number of misgivings about the efficiency of the committee system in management. When asked their opinions on a number of comments that have been made about committees, executives offered these views:

- They agree much more strongly with positive comments about committees than with negative comments. This might indicate that executives who do go along with strongly critical statements also recognize the possible benefits of the committee system.
- Executives in top management favor committees more than executives in middle management do. For example, 40 per cent of the lower middle management group feel that committee meetings usually result in buck-passing and compromise, while only 22 per cent of executives in top management hold the same opinion.
- Executives at all levels of management disagree with the criticism that committees are a way of yielding to top management while merely going through the motions of democracy.

Among the benefits ascribed to committees are the development of an *esprit de corps*, the possibility of defending one's department against others, the fact that participation in committees is an excellent way to train managers, and the fact that meetings make the committee members think harder, clearer, and in greater depth about a problem.

Objections to committees center around complaints about the time involved, a tendency on the part of some committee members to dodge responsibility, and undue compromise. ♦

THERE WILL BE almost 32.5 million women workers in 1975 if current trends continue, predicts the Women's Bureau of the U.S. Department of Labor. That's almost ten million more than in 1958. The Department also predicts an unusually large increase in the number of part-time workers, many of whom will be married women with families to take care of during the rest of the day.

A Reappraisal of Compulsory Retirement

Condensed from Industrial Relations News

THE STRUCTURE of the American labor force is undergoing a dramatic transformation that may force significant adjustments in traditional retirement policies. Labor Secretary Mitchell predicts "startling changes" in the composition of the U.S. work force during the next ten years. Even though the total population in this period will soar 13 per cent to 202.5 million, the number of workers over 45 will increase by 20 per cent, while the highly productive, eagerly sought 35-44 age group will actually shrink 2 per cent.

Against this population shift stands the tradition that age 65 is the "normal" time to retire. Many firms have formally adopted 65 as the compulsory retirement age, and even those with "flexible" policies often ease workers out at 65.

But are these attitudes permanent —or are traditional retirement policies crumbling? There is evidence to indicate a slow change in attitude among personnel executives. Several large companies, such as Consolidated Edison Co. and American Cyanamid Co., have stretched mandatory retirement ages from 65 to 68. And an *Industrial Relations News* survey of 28 other firms reveals a softening of attitudes: Seven firms already have flexible systems, and seven others, with mandatory retirement at 65, make frequent exceptions to the rule.

If an impending shortage appears in the 35-44 age group within the next ten years, 18 of the companies surveyed say they will use older workers to help take up the slack. Says the personnel manager of a major airline: "A few years ago we actually ran short of workers in the 35-44 age group. We made it up with older people, and were very happy with the outcome." Not all companies agree that this is the best solution. One company would step up automation if a middle-group shortage occurs, and nine firms said they would fill in with younger personnel.

Relatively few companies find their employees coasting toward retirement. One firm that uses company retirees to fill temporary openings reports that impending retirement seems to stimulate their productivity. Reason: "Our people want to be remembered as doing their best, so they will be called when openings come up."

Retirement counseling is rarely used to convince workers of the desirability of retiring. Only one company surveyed, a large insurance firm,

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uses such a "soft sell." Eight other companies offer workers retirement counseling, but regard their programs as services, with "conditioning" unintended. Retirement counseling is becoming a standard service in a growing number of companies.

One company that is dedicated to mandatory retirement is the General Electric Co., whose compulsory retirement age of 65 applies to everyone from the president down. Says Irving H. Dearnley, consultant, Employee Benefits: "Apart from administrative advantages to the company, fixed retirement encourages a worker to prepare for his senior years. He knows retirement is coming, and can't be misled by 'inconsistencies' under a flexible policy."

To accommodate the exceptional case where an employee possesses a critical skill, GE's pension board can vote an extension on a year-by-year basis. At present, says Dearnley, there are about two such cases in the company. But, he observes, there is nothing magic about 65 as the retirement point. If the life span lengthens appreciably, if economic conditions change, and if a manpower shortage develops, the retirement age could be changed too. Dearnley emphasizes that GE is not likely to switch over to a flexible retirement system.

One company that has a successful flexible retirement system is the retail firm of Carson, Pirie, Scott & Co., Chicago. Personnel director Martha Douglas, who counsels older workers, leads them toward a voluntary retirement when the company—on the basis of such records as absence data and supervisors' ratings—thinks it best. If performance is poor, these records are used to persuade the worker to retire. The system works 90 per cent of the time, says Miss Douglas.

A New York publishing company has a mixed compulsory and flexible system, due mainly to the varying contract provisions in effect with its dozen or so unions. The company has a mandatory retirement age for its white-collar workers, a flexible one for most blue-collarites. Workers covered by the flexible system, and whose productivity declines after age 65, are asked to leave. Department heads quietly enlist the cooperation of union representatives, and the medical department may help. Sometimes, however, it is necessary to discharge a worker for "cause." This poses a human relations problem ("look at what the company did to faithful old Joe"). An airtight case is needed to convince an arbitrator that discharge was justified. Transfer, which may seem like a reasonable compromise, is often impossible. Skilled workers often refuse to switch to jobs requiring less skill (and consequently carrying less prestige).

Any discussion of the older worker's place in the changing work force must revolve around his ability to work. Is he productive? How do his supervisors and colleagues rate him? A recent study by the Bureau of Labor Statistics indicates that older office workers perform their work well. And another study by the Labor Department shows that they are good retraining risks.

Last spring, the National Committee on Aging surveyed 47 top corporations, each employing 10,000 or

more workers. The committee's survey focused on the worker at age 64. Here are the main findings:

• From 40 per cent to 60 per cent of these men wish to continue working. And as many would forego social security and pension benefits to stay on the job. They look, however, to age 68 as the time to retire.

• Managements regard 66 per cent to 75 per cent of those willing to continue working as acceptable for continued employment.

• There is a limited move toward lower optional and higher mandatory retirement ages.

• The primary reason for wanting to work after age 65 is financial, while the primary reason for retiring at the same age is the desire to "take it easy."

In deciding whether to retain an older worker, most companies that don't have a compulsory cut-off age rely upon work performance. One company with a star salesman 78 years old would regard his forced retirement as "cutting our own throats." On the other hand, borderline cases pose serious problems. One personnel man says: "During 1956 and 1957, three compensation accidents occurred to employees over 65. Every justifiable retention intensifies the difficulty of retiring marginal cases."

At one large company, the worker's case is considered by the personnel manager, the medical director, and the worker's department head. The personnel manager makes the final decision, but an attempt is made to arrive at a unanimous verdict. One manufacturer requires department heads to fill in questionnaires periodically about their subordinates who are 64 and older. The chief questions are: Is the worker performing well? Is he absent much? Do you recommend his retention? On this basis, the worker may be permitted to remain until age 70. ♦

Meet the Press

IF YOU'RE SCHEDULING A PRESS CONFERENCE in the near future, *don't* hold it on a Monday or Friday, *don't* run it after mid-afternoon, and *don't* make a speech lasting more than 30 minutes.

These tips to businessmen result from answers supplied by 86 industrial editors to a questionnaire sent them by Greif-Associates of New York.

According to the editors responding, a company gets the most out of a conference that introduces a new product or process, or demonstrates new labs or facilities. To a lesser degree, a press conference is useful for showing redesigned or improved products or announcing important financial developments.

Editors prefer to attend a press conference in the middle of the week (Tuesday, Wednesday, or Thursday), prefer it at lunchtime (with the program held before the meal) or in the morning. They can seldom afford time to attend the conference for more than two hours. They like to receive a press kit beforehand, and they lose interest in a speech that exceeds half an hour. Finally, the editors find plant and lab tours helpful, and like to operate new equipment themselves.

IN DEFENSE OF
Big Business

By M. J. Rathbone

Condensed from Saturday Review

IN THE BRIEF PERIOD of its existence, the large-scale corporation has changed so markedly that students of our society and economy have not found it easy to understand. Just when they've reached an understanding of one phase of it, it has undergone important transformations.

Lack of understanding has produced anxiety and even hostility about "big business." Examples of antipathy are not hard to find. A proposal, now before Congress, prohibits corporations with combined assets of more than $10 million from merging until sixty days after they deliver fully documented notification of the merger to the federal government. Another recent proposal prohibits the largest companies from raising prices on their products until thirty days after they notify the Federal Trade Commission, the Attorney General, the House, and the Senate. And the federal government has actually imposed oil-import quotas on a graduated scale, with the result that larger companies are put at a disadvantage. These and other examples reflect a bias against the large corporation, merely, one must conclude, because of its size.

Some of the attempts to hamstring big business are probably opportunistic. Espousing a "cause" and attacking something that appears to be impersonal is a means of drawing public attention in a politically safe way. More disturbing, however, is the fact that some of the questioning of big business is sincerely motivated. If the attacks were to succeed, the consequence would be immensely harmful to our country and all its citizens.

The roots of honest anxiety about bigness are undoubtedly complex. When a company becomes "big," people may worry about it on various grounds—economic, political, social, or ethical. All these, however, have

in common a distrust of the power which a large corporation presumably exercises.

For example, the economist sees this power as a restriction of, or a potential threat to, competition. The implication is that competition is "free" only among small organizations. But is this true? In today's huge markets there is room for many large firms as well as smaller ones; hence, largeness need not imply lack of competition. Indeed, a single man, running the only grocery store in a small town whose inhabitants have no other ready access to food, is not competing. He has a monopoly—at least until someone else opens a store nearby—regardless of the size of his store. Conversely, a corporation whose activities cover a wide area not only may be, but almost certainly is, in vigorous and constant competition with many other companies.

Little recognized, perhaps, is the fact that, as the corporation has grown, its structure and behavior have changed. Today's large corporation necessarily takes a long view of its operations: Large-scale capital requirements must be planned and financed on a long-term basis; insurance and pension funds are established to cover generations; research programs that are undertaken take many years to pay off. Decisions on short-term matters must always be weighted with consideration of their long-term effects.

These developments have introduced great stability into our economy. Furthermore, competition among an industry's giants has taken on new dimensions: research itself has become a crucial competitive tool. More and more emphasis is being placed on industrial research programs — and for good reason. Today, it is not enough for a company to put out a good line of products at a fair price. To compete successfully, it must demonstrate to investors, employees, and customers its ability to keep up with and contribute to the accelerating technological revolution. This means new techniques, new processes, new products—the fruits of industrial research—to capture the imagination and the dollars of the buying public, or to meet the specifications of defense and space exploration projects.

Nevertheless, the notion still persists among some people that large industrial enterprises should be broken up and smaller ones discouraged from expanding. Let us follow these ideas to their logical conclusions. If, for example, a company were broken up because it was the largest in its field, the second biggest would then become first. Should it, in turn, be fragmented because of its prime size, and so on down the line? Obviously, prime size is no criterion. Then what is? Some have claimed that having a certain share of the market might be the test. But as long as a company has active, successful competition, it seems difficult to say the company's share of the total market is "stifling competition."

Disregarding the mammoth problems involved in determining maximum size, let us assume that a corporation has reached such a point, measured against some formula as yet unspecified. Here we encounter further dilemmas. Having reached maximum size, should the corporation be broken up? If so, how big should the

pieces be? If the company is not broken up, can we restrict it, stop it from growing, and expect it to continue operating at a fixed level?

Apart from the purely economic aspects of bigness, there is a rather exaggerated apprehension of the social and political power supposedly possessed by big companies. A good many people have the feeling that this power is great and is not democratically controlled, that boards of directors are self-perpetuating, and that the average shareholder's vote actually counts for little or nothing.

The presumption of great and unbridled power in boards of directors rests, in part, on out-of-date concepts. The day of the tycoon-manager is over; we are in an era of the professional manager. In their evolution, corporations have developed their own internal checks and balances. No one man is truly the "boss." Managements of large companies must balance a wide span of obligations: to investors, customers, suppliers, employees, communities, and the national interest. Thus the large organization may actually have a narrower range in which to make decisions than the small, closely held corporation which is not so much in the public eye.

I do not mean to suggest that big bigness is the acme of all that is good. Size is no guarantee of efficiency or of virtue. Nor am I implying that big business should be exempted from the processes of government. Certainly any business, big or little, should abide by the established laws of the land and expect to be punished if it disobeys them. But administration of the law should apply equally to all.

Any thinking about big business that is based on myth, on conditions that no longer exist, or on insufficient understanding, bias, emotion, or political opportunism can do immense harm to our country in this time of great global stress, and can adversely affect the fortunes of the average citizen. It is time to develop and teach economic concepts that are more truly in line with the facts of the mid-twentieth century, and to reassess our attitudes toward the large productive organizations of our society so that they will be able to contribute still further to the advancement of human well-being. ♦

Rate the Boss

TO ENCOURAGE SELF-DEVELOPMENT of its technical supervisors, the Esso Research and Engineering Company, Linden, N. J., points out their strengths and weaknesses in a personal analysis—made by their subordinates.

Employees participating in the "Rate Your Supervisor" program, according to *Dun's Review and Modern Industry,* anonymously grade their immediate superiors on personal traits and job methods. The rating forms are sent to the employee relations department, where the information is combined in a single report for each supervisor. Only the individual rated sees the report; he can interpret it as he wishes, and he changes his performance, looks for help, or takes other action as he sees fit. As for the benefits of the program, an opinion survey revealed that 25 per cent of the subordinates found lasting changes in their supervisors.

What You Can Do About
UNFAIR COMPETITION

Condensed from Sales Management

AN UNFAIR COMPETITOR can run you out of business. If he has no regard for the law, he can steal your designs, knock your product, or ruin your sales. He can take unfair advantage of you by using any of a vast number of illegal practices: deceptive ads, price discrimination, discriminatory allowances for advertising and promotion, rebates, kickbacks, exclusive deals, and many others.

There are two ways to fight an unfair competitor. The first is to report him immediately to the Federal Trade Commission, Washington, D.C. Even if you are not completely positive that a competitor is breaking the law, you may report a suspected illegal trade practice.

The second way is to fight back—fairly—as hard as you can. You can fight him in the civil courts; with strong advertising; with the help of your suppliers; with government aid, in the case of imports; and by making every effort to prove the quality of your product to your customers. The following case histories provide some examples:

Case 1: Pirating. Mr. Jones' firm put out luxury gift merchandise. A competitor took Jones' latest catalogue, lithographed a portion of it that included 12 major, popular items, duplicated the items, and offered them at a wholesale price 5 to 10 cents lower than Jones'. A customer, whom the competitor tried to woo with the price cut, quickly told Jones.

Jones immediately informed the offender that he intended to sue, and followed up with a communication from his attorney. The competitor realized that Jones meant business, and quickly agreed (1) to destroy the catalogue with the pirated section; (2) to destroy the copied merchandise; and (3) to pay $1,000-a-day damages if, in the future, he was caught in any similar action.

"We caught that unfair competition in time," Jones observed, "thanks to the loyalty of a good customer who believed that years of good treatment were worth more than cut prices."

Case 2: Misrepresentation. Light and Strong Products, Inc., put out a consumer product made of traditional materials for that article. Then it brought out a handsome, all-Fiberglas version that gave it many competitive advantages. It was a quality product, advertised and promoted as such, and it sold well at a good price.

A few years later, a competitor put out the same product, using only one-half of 1 per cent of Fiberglas in the molding material. Riding on the reputation that Light and Strong had built up for their Fiberglas product, the competitor—"Manhattan Make" —plugged the lower price and lighter

weight of what they implied was a comparable item.

To meet the threat, Light and Strong first launched a strong advertising campaign, emphasizing that it was the first and still the only manufacturer to use the glass fiber exclusively in the product. Reprints of this advertising were mailed to each of the company's dealers, and included were swatches of the material used in the Light and Strong product. Each swatch had stamped on it: "This is L & S Fiberglas. Please compare."

Many dealers got the point immediately. Others, curiosity aroused, asked questions. What's the difference? What's this all about? L & S answered inquiries frankly, pointing out the difference in materials but being careful not to say anything damaging about the competing product.

Light and Strong's field representatives next carried the ball. Using the advertising reprints and the explanatory material, they verbally—and forcefully—explained to dealers how Manhattan, with only a fraction of Fiberglas in its product, was taking advantage of the dealer's and the consumer's ignorance of the facts.

Light and Strong then got its supplier, who also supplied the competitor, to prohibit Manhattan from using the supplier's trademark in advertising and promotion, and on the product. And, at Light and Strong's request, the supplier also got Manhattan to change its advertising to: "Reinforced with Fiberglas."

Light and Strong is slowly regaining lost ground. It has won back most of its dealers, but it is still suffering at the consumer level. A spokesman for the company notes, "There is no way for consumers to make comparisons. Our only recourse at the consumer level is strong and persistent advertising to point out the facts. And this is what we are doing."

Case 3: Wheeling and Dealing. A large food specialty manufacturer built its product sales on high quality, superior service, and strong advertising. Then this company—"Western Epicure"—discovered that other firms were offering the same grocers hidden discounts, one-shot extra allowances, free merchandise, cash gifts for display, and distribution advantages.

How does Western meet this unfair competition? "We don't. And we never will. We explain to our grocers that we have one policy on discounts, on prices, on promotional allowances —and that these are the same for all. Every one of our customers can be certain that the man on the next block is getting exactly the same terms that he's getting."

Western also finds that strong advertising creates consumer acceptance and demand, which in turn assures better shelf movement of the product. This reassures the dealer, supports his profits, and provides him with concrete success which helps to combat the attractiveness of under-the-counter deals.

Case 4: Inferior Imports. Many manufacturers are facing the problem of foreign imports made to standards lower than those imposed by law for similar domestic merchandise. In some instances, sound quality articles are offered more cheaply because of lower wage scales in the country where the articles are manufactured.

This is not generally considered to be unfair competition, although some manufacturers in this country regard it as such.

Domestic wine makers must observe strict production and labeling regulations for their wines. These regulations, however, do not apply to foreign wines that are imported to compete with the domestic products. What recourse has the wine industry—or any other industry facing possible competition from large stocks of poor merchandise?

Representatives of the domestic wine industry first tried to set standards for imported wines, to halt the importing of inferior products, by contacting representatives of the wine industry in France. The French wine spokesman answered, "As long as the American public will buy these wines, we will ship them."

The domestic industry leaders are now turning to the State Department for relief. They are firmly requesting that the government negotiate with foreign governments to urge, first, more accurate labeling of wine imports, and, second, "the establishment of standards of control needed to protect the American public and the domestic industry."

This departs from domestic manufacturers' former approach of seeking tariffs to "equalize" competition between foreign and domestic goods. The Wine Institute says, "We welcome the competition of high-quality French and other foreign wines. Our concern is that this country might become a dumping ground for low-price, poor-quality imported wines." This is the growing concern of the domestic manufacturers of many products, who might profit from the example of the wine industry in combatting the problem. ♦

The Candid Camera

DO YOU HAVE A RIGID JAW? Do you go in for head-bobbing? Are you the Great Stone Face? To sum it up, do your stage and camera mannerisms get in the way of the corporate image you are trying to project?

According to John F. McCarthy, head of a new organization called Executives on Camera, executives called upon to speak in person, on television, or in corporate films should beware of these mannerisms:

Head bobbing: Many executives, when stressing a point, use vigorous head motions as exclamation points to accompany their remarks.

Mouth movements: Often a person is astonished to find that he has always spoken out of the side of his mouth rather than the center. This cannot be overcome all at once, but once a manager has been made conscious of it, he can minimize much of the adverse effect on his viewers.

Teetering: Nervously teetering and jiggling—while either standing or sitting—can give the impression that you're ill at ease.

Movement: The camera magnifies motion. Gestures that look fine on a platform are usually too sweeping on camera.

Rigid jaw: In personal meetings, this may create a magnificently strong impression; on camera, it can make you look scared to death.

—*New York Herald Tribune* 4/12/60

BOOSTING SALES WITH DEALER INCENTIVES

By Gerald J. Barry

Condensed from Newsweek

According to the well-known maxim, the world will beat a path to the door of the man who makes a better mousetrap. These days, however, it doesn't work quite that simply. The product has to be sold, aggressively and intelligently. And a key man on the selling team is the dealer.

In 1959, American companies instructed, inspired, and entertained their two million dealers at 89,000 conventions and national sales meetings. To help their dealers attract customers, corporations spend about $1 billion each year for such sales aids as window dress, electric signs, and floor displays. Dealers receive booklets and manuals on how to operate wood-cutting machines, how to analyze their own business management, or how to store and pour French champagne. And there is a growing number of company-financed dealer training courses.

The "man from the factory" will come around—or invite the dealer to come around—to show exactly how the new superspecial dishwasher works. General Electric Co., for example, has a consumer institute and display workshop at Appliance Park

in Louisville. Once there, a dealer can learn how to explain to a customer the wiring needs of a kitchen completely equipped with electric appliances. Or he can consult company economists and management specialists on ways to improve his bookkeeping. And for dealers who can't get to Louisville, GE has specialists in every sales district to give on-the-spot advice.

Then there's the "blitz" aid. The Mosler Safe Co. assigns a roving team of salesmen to a dealer's staff and turns them loose in his community for a week or two. Mosler steps up its advertising and public relations in that community. The dealer not only picks up sales, but gains a backlog of prospects and learns a lot about selling his product.

To most manufacturers, a dealer's on-the-spot ability to provide customers with parts and service is just as important as his selling ability. The Clark Equipment Co., for instance, organized and largely financed an independent dealer organization because customers weren't being serviced fast enough through a factory branch setup.

Nothing, however, compares in glamor and instant appeal with the sales incentive program. In fact, running such programs has become a big business in itself. Last year, Dayton's E. F. MacDonald Co., which handles contests for some of the largest firms in the U.S., distributed $40 million in prizes ranging from cigarette lighters to electronic stoves, cabin cruisers, mink coats, and Bermuda vacations. Many big companies, however, operate their own contests. One automobile maker paid out $35 million last year in sales contests and rebates to dealers.

Contests are nearly always designed to stimulate sales. But once in a while they can help correct a market misjudgment. The unexpected demand for Plymouth's six-cylinder models, for example, outpaced production. There was a long waiting list for the sixes, and slow sales for the forgotten eights. The company offered dealers bonuses of up to $92 for selling V-8's. They moved. Now that production of the sixes has caught up with the demand, Plymouth is ending the contest.

Dealer contests sometimes cause problems. The Internal Revenue Service considers vacation trips and other prizes as income—a fact which jolts many a winner of "free" vacations. And contests have resulted in more than one misleading sales report. A Boston auto dealer, suspecting a contest was about to begin, reported only thirteen sales for the first ten days of February, hoping to show a big, prize-winning increase after the contest started. Then he learned that there would be no contest. His count for the next ten days was 106 sales.

Elaborate as they may be, junkets and awards, sales aids, and schools aren't always enough to insure a dealer's loyalty to a product. Some companies find that they must appeal to their dealers' sense of pride in their sales ability and to their desire for recognition.

Robert A. de Rose, vice president of Paddock of California, a major swimming-pool manufacturer, finds contests important because "they generate the family spirit." The Mc-

Culloch Corp. of Los Angeles, manufacturer of power-saws, awards its leading dealers membership in a "Toppers Club." Advertising manager Robert K. Orser finds that the dealers' pride in being admitted to the club spurs them to greater sales. And Pepsi-Cola is selecting dealers to take part in the company's "Ambassadors' Program" this fall. They will visit London, Paris, and Madrid for conferences with their foreign business counterparts, after briefing sessions with State Department officials in Washington.

Recognition, in a different form, also solved a dealer problem for Bell & Howell, the Chicago photographic equipment maker. It turned a weak dealer relationship into one of the strongest by creating a dealer advisory council, elected y the dealers, which comes to Chicago each year at company expense for a hard discussion of problems like trade discounts and repair policies. ♦

Contemporary Art Goes to Work

A RECENT EXHIBIT at New York's Whitney Museum has pointed up an increase in industry's purchases of contemporary art. When the Whitney ran a nation-wide survey to find out what was available for its "Business Buys American Art" show, it discovered that 109 out of 225 companies owned a total of 325 American art works produced in the 20th century—most of them acquired by the companies in the past few years.

Contributors to the show included Abbott Laboratories, Aluminum Co. of America, Chase Manhattan Bank, Connecticut General Life Insurance Co., Hawaiian Pineapple Co., General Electric Co., and Hallmark Cards, Inc.

Included in the display were sculptures by Seymour Lipton, Isamu Noguchi, and Richard Stankiewicz, and paintings by James Brooks, Charles Sheeler, and Adolph Gottlieb. Young and unknown artists were also represented. Apparently many executives gamble on the chance that the painting they buy for a few hundred dollars today may be worth thousands in ten years.

Why do they buy? According to answers to Whitney's questionnaire, companies buy art for reasons ranging from a desire to add an artistic note to advertisements to the wish of a top official to have an interesting conversation piece behind his desk. Some find that modern art has a big sales impact. Phonograph record companies, for example, often commission fine artists to design album covers. Greeting card companies use the works of ranking artists.

The growing number of stark, functional modern buildings also is creating a big market. Manufacturers Trust Co.'s Fifth Avenue branch features a sculpture screen by Harry Bertoia. Joseph E. Seagram & Sons' New York headquarters has Mark Rothko's painting, "Brown and Black in Reds." And Richard Lippold's "Abstract Sculpture"—consisting of 5,000 gold-dipped brass rods—hangs behind the bar of the Four Seasons Restaurant in New York.

—*Business Week* 3/26/60

Wages in Industry:

A SURVEY OF COMPANY POLICIES

Condensed from Personnel Policies Forum

WHAT INFLUENCES a company's wage policy? How is the pay advantage for supervisors maintained? What does a company do about the salaries of men already in professional and technical jobs when starting salaries for these positions are raised? What is the relationship of wage increases to price increases?

These and other questions related to corporate wage policies were answered by 107 executives participating in a survey conducted recently by the Bureau of National Affairs. These are the findings:

What influences a company's wage patterns? About 96 per cent of the survey respondents report that their firms' wage policies are influenced by wage movements in other firms—half of them "to a large extent" and the other half "to some extent."

There are two main reasons for this policy: to attract and keep employees, in competition with other firms in the same industry and locality; and to maintain harmony with the union, where a union is present.

Of the companies that consider existing wage patterns, 18 per cent rely on patterns within the industry, 27 per cent rely on local community patterns, and 55 per cent rely on both.

What happens when employees demand wages based on a pattern that a company genuinely can't afford to match? Almost 87 per cent of the respondents say that a company in this situation should do its best to publicize and explain its position to its workers. Specific suggestions include trying to prove how compliance would hurt both sides, making counterproposals for work rules costing less money, and maintaining an open mind to any suggestions that labor might have for solving the dilemma.

How are supervisors' pay advantages maintained? About 95 per cent of the survey respondents are able to maintain a spread between supervisory and nonsupervisory pay levels. One-fourth of these companies maintain a percentage differential (usually 15 to 20 per cent), while the remainder maintain dollar differentials of unspecified size.

Many companies avoid giving an increase to supervisors at the same

time they give one to employees. The purpose is to maintain supervisors' objectivity about the wage levels of people they supervise. Accordingly, about 33 per cent of the surveyed companies raise supervisors' pay only at the time of their annual or semiannual salary review.

Do companies raise white-collar pay and blue-collar pay at the same time? A majority of companies (57 per cent) do *not* give a general increase to their office personnel when they grant one to plant employees. A little more than 70 per cent of this majority group prefer to award raises to office employees on a merit basis instead. In addition, many companies (25 per cent of this majority group) prefer not to have white-collar raises appear to result from union activity.

The 43 per cent of companies that do grant increases to white-collar and blue-collar workers at the same time do so mainly to maintain the spread between the pay leads of the two groups. They believe that it "meets competition and pleases the salaried group."

Raising starting salaries for professional and technical positions. Trouble within the ranks of incumbent professional and technical employees can result when the starting salaries for these positions are raised. On the one hand, there's the risk of the incumbents' displeasure at having new people hired at salaries close to theirs—salaries which may have taken years to achieve. On the other hand, there's the expense of giving a general increase to a group of employees who may already be highly paid.

In this situation, 38 per cent of the companies give the incumbents a general increase; 59 per cent do not; and the remaining 3 per cent have no policy on the matter. Some companies that do not automatically give the incumbents such an increase try to head off the problem at least six months before raising the minimum, via individual salary reviews.

Raising performance standards. One way to get back some of the cost of a general increase is to improve employees' performance. About 45 per cent of the survey respondents take steps to do just that at the time of a general increase by stressing several areas:

- improvement in work methods
- better use of equipment
- better use of personnel
- communications to inform the employees of the increase and of the need for "fair work for fair pay"
- employee incentive plans

Pros and cons of wage escalation. What do personnel executives think of wage escalation (cost-of-living increases) and deferred wage boosts? On the first point, about 90 per cent of the respondents are against cost-of-living raises, primarily because they are inflationary and self-perpetuating. Executives also feel that the Labor Department's Consumer Price Index is an unrealistic base, and that wage escalation makes the future wage cost too uncertain.

Opinion is much more evenly divided on the value of deferred wage increases. Such increases are opposed by a bare majority (53 per cent) and favored by the remaining 47 per cent. Objections to deferred increases center chiefly around the

argument that changing business conditions may make the increases economically unsound by the time they go into effect. Advocates, however, feel that deferred increases afford greater corporate stability.

Unit vs. average labor cost. What impact have higher wages had on business? The survey respondents were asked to compare their rise in *average* labor cost (total labor cost divided by the number of workers) with their rise in *unit* labor costs (total labor cost divided by the number of units manufactured or services rendered) over a recent period. About 36 per cent of those answering reported that their unit labor cost rose *less* than their average labor cost—that is, that they were able to offset the higher wages they have had to pay out. About 26 per cent reported that their unit labor cost got ahead of their average labor cost—that is, that they were unsucessful in offsetting their wage increases. And 38 per cent reported that the ratio stayed about the same.

About 60 per cent of those companies that were able to offset their wage increases gave the credit to improved equipment, tools, and machinery; the remaining 40 per cent cited improved production methods. Other factors include subcontracting, increased sales effort, reduction of indirect and nonproductive labor, better work performance from employees, and—in general—greater efficiency in all departments.

Wage boosts and price increases. What percentage of their price increases do the respondents attribute to their own wage boosts? Of the respondents who answered this question (three-quarters of the total), 56 per cent found no relationship between them. But 29 per cent attributed up to a quarter of their price increase to wage hikes; 8 per cent said they caused from a quarter to a half of their increase; 3 per cent put the figure between a half and three-quarters; and four per cent blamed wage boosts for more than three-quarters of their increases in price. ♦

"That's Where My Money Goes . . ."

THIS IS HOW the federal government spends each $100 that it collects in income taxes:

$57.09	for national security.
12.00	on the national debt.
7.05	for agriculture (farm price stabilization, etc.).
6.85	for veterans' services and benefits.
5.73	for labor and welfare (including education and research).
3.40	for commerce and housing (including civil defense).
2.81	for international affairs (aid programs, etc.).
2.43	for natural resources.
2.39	for general government.
.25	for contingencies.

—*Southern California Forum,* 4/60

IS THE ORGANIZATION MAN Obsolete?

By George S. Odiorne

Condensed from Michigan Business Review

JUNIOR AND MIDDLE MANAGERS may be puzzled these days if they are listening carefully to their top managements. On one hand, top brass is denouncing "conformity," reviling the "organization man" in business, and calling for more mavericks in staff and professional positions. On the other hand, their subordinate executives are permitted to hire only the well-adjusted, to produce organization men, and to promulgate policies that encourage conformity.

For some twenty or more years, the question, "What kind of talent do we want?" has been answered in most large companies in favor of the organization man. Supervisory practice, personnel policy, and executive development programs have stressed the need for the well-rounded man, the team player, the fellow who keeps his head down. Indeed, a definite program for creating organization men has now evolved. Here's the process:

Step One. Select a group of subjects, carefully screened through depth interviews and personality tests, and weed out any individualistic, wild-eyed mavericks who might upset the boat. During their training, put them on a "cultural island" with a lot of others who think everyone else there is important and who can send them to Coventry if they start thinking for themselves as individuals.

Step Two. Make it clear from the beginning of their training that everyone must deeply desire to be an accepted member of the group. No lone-wolf action is permitted, and any radicalism will result in expulsion from the group.

Step Three. Make it plain that

Michigan Business Review (March, 1960), School of Business Administration, © *1960 by the University of Michigan.*

problems aren't to be solved in solitude, but through group action and group thinking. The power of suggestion, brainstorming, and consultative and participative action will prevail. Cadets are to be told that any question can be answered by the pooled intelligence of the group.

Step Four. Build up a permissive climate. This means you set up a psychological nudist colony in which people with remaining traces of individuality confess their sins before the others and ask their frank and brutal criticism without defensiveness. Defensiveness is out. It's part of the training of a good organization man that he be willing to take a real pasting from everyone in his group without flinching.

Step Five. Get everyone in line with group standards. Don't let anyone hang on to any archaic standards such as his father's, or those that his conscience, intellect, or education tell him are right. He must learn what ideas the group thinks is right, then conform to those while he learns to suppress his own. Otherwise, the group will put him in the deep freeze.

Step Six. Every organization man must become a deep scholar of group methods, which must become deeply ingrained in him if he is to apply them most effectively. They include not only conference leadership training, but "conferencemanship" and "committeeship" as well. This entails both formal training and plenty of practice.

Follow these six tested steps and you will have an organization man ready for immediate installation. He will fit into any slot, will serve on all your committees with vast tolerance and enjoyment, and will never be pig-headed, intractable, or obstinate. Neither will he be original, imaginative, creative, or critical.

In all of this happy system, however, there remains one discordant note: Top managers apparently don't want such men. Melvin H. Baker, chairman of National Gypsum, terms conformism "our greatest peril." The clarion call for individualism has been made by numerous other company presidents. Horace Basset, president of Calumet and Hecla, has called for a turning back of the soft human-relations approach of the past twenty years. Paul Getty, oil executive, had some harsh things to say about "human relations" practices in a recent issue of *Look* magazine. Louis Wolfson, chairman of Merritt-Chapman and Scott, indicated recently that conformity is the most serious problem ahead for the management of personnel. Ralph Cordiner, chairman of General Electric, has added his voice to this chorus, as has Roger Blough of U.S. Steel.

How can a company encourage maverickism in its domain, and what kind of behavior does it entail?

You may rest assured that it will not extend to punching the Old Man in the nose or stealing his cigars. Instead, it will adhere closely to the image of maverick behavior that can be inferred from what he says and what he approves. Often, there will be a shrewd attention to the arts of disagreeing and speaking up freely when in the presence of seniors, without actually saying anything intemperate or brutally frank.

Once these superficial arts of

adapting outward behavior to the new line of maverickism have been firmly mastered, there will still remain several basic problems that require deep thought and planning.

1. Personnel management practices must be examined to insure that we are hiring the right kind of people. In this case, the right kind means persons who have a capacity for independent and critical thinking, rather than adaptability.

2. Executive development programs must be salted with firm words against the more sentimental and sloppy forms of leadership behavior.

3. More time and money must be spent in studying the research findings of social scientists and applying them in the firm. More than that, there's a real argument for extending that research into human behavior in the work place, in order to develop more meaningful material on the relationship between the man and the organization.

4. The problems of a firm's scientific and engineering creativity and productivity must be given special treatment. It's fruitless to revile these people for their rigidity and individuality, when these very qualities are often inextricably tied to their ability to innovate and produce.

Most of the lasting effects of business' New Maverickism will result from an infusion of individualism from the recruits. In some instances, there will be a rise of individualism and maverickism in old hands who have carefully concealed these tendencies under the regime of sentimental togetherness. The major immediate effect, however, among the bulk of experienced managers and staff will be a new conformity—to a behavior which *looks like* maverickism. New values will not appear overnight, however high the rank of the voice that calls for them.

The big change to maverickism will only come about when the new prophets of individualism make it crystal clear through their own actions that no other form of behavior is acceptable for the professional or manager. ♦

A Report to Stockholders—from Overseas

OVERSEAS BUSINESS LEADERS had an opportunity to tell American stockholders about expanding international business and trade at the annual meeting of American Machine & Foundry Company held in April, according to Morehead Patterson, AMF board chairman. For the first time in the history of American industry, business affiliates, major customers, and overseas managers—citizens of six free world countries—came to the United States to give stockholders a first-hand report.

"We believe that this was a unique experience in international business relationships," Mr. Patterson said. "It gave our stockholders an opportunity to see that our overseas associates have the same business objectives that we have, within the framework of their individual national economies. In addition, our overseas friends got a view of American corporate democracy in action."

When NOT to Use PR

By David Finn

Condensed from Management Methods

MANY COMPANIES have achieved notable results from good public relations, but sooner or later, most of them reach a point where they begin to wonder, "Should we continue this PR program?" Here are some guidelines for reaching a decision on whether or not to abandon a public relations program, based on the experience of scores of executives who have successfully evaluated their own programs:

1. *Abandon PR when there aren't enough results.* If, after a reasonable time, not enough comes out to justify the money and management effort that go into the program, it's obviously a mistake to continue.

One company introduced some new air conditioning equipment and engaged a public-relations firm to publicize the equipment's many features. Tremendous publicity was obtained. Results were so gratifying, in fact, that the company decided to retain the PR firm for a continuing PR program.

Six months later, few additional results had accrued. When the president complained of high costs and no results, the PR people explained that it takes time to get a corporate PR program cranked up. The president demanded sales results, not promises; he fired the PR firm and invested the PR budget instead in cooperative trade advertising. It produced immediate sales results.

Why did the long-range public-relations program fail? Simply because the company had undertaken PR for the wrong reasons at the wrong time. It needed immediate sales help more than support for long-range growth.

2. *Abandon PR when results are the wrong kind.* This problem occurs when the people handling PR don't understand what management expects them to accomplish. Sometimes, unfortunately, management doesn't know, either.

A PR program was producing good publicity for a boiler manufacturer month after month. It was the kind of product publicity that salesmen love: It helped them close sales. But the company's top management was disappointed. They had hoped that the public relations activities would increase the company's prestige. They

felt that enough money was already being spent on projects to back up the sales force. They halted the program.

3. *Abandon PR when goals are diverse or fragmented.* With public relations, as with any other vehicle, you can't go in all directions at once. If different people in a company are trying to steer the public-relations program in different directions, at least part of the program should be dropped and the effort redirected.

A toy-making firm had a two-way PR program. The company was using public relations both for product publicity and for corporate development. The company's marketing people were primarily interested in the first of these purposes; to the president, the second was equally, if not more, important. But the marketing people felt that the corporate-development idea was too theoretical and that the results being achieved weren't practical.

In this case, it was the president who relented. He abandoned his corporate-development goals so that the available public-relations resources could be centered on the job of product publicity.

4. *Abandon PR when the experts are reaching for professional, rather than corporate, goals.* Public relations people, like other experts, sometimes do things to satisfy their own (or their associates') professional sense, instead of trying to fulfill the more prosaic, economic goals of the company. When this happens, the effort—from the company's point of view—is diluted and frequently wasted.

An architectural firm hired as its public relations counsel a PR man who possessed a great deal of magazine writing experience He could write articles that were welcomed by editors, but many of his stories contained embarrassing facts about the partners of the firm. The PR man claimed that using such facts was the only way to get stories published in important magazines.

The partners decided that the price, in terms of embarrassment and perhaps injured reputations, wasn't worth it. They dropped public relations altogether. It wasn't until much later that they were even willing to listen to the argument that more qualified counsel could help them reach their company goals without sacrificing their reputations.

5. *Abandon PR when you feel your PR people are inadequate.* Whether they are or not, you may feel that your public-relations practitioners are not qualified for the job. In such a case, you should at least consider abandoning the program. Of course, the fault may not lie with the PR people; it may be that management expects more than should be expected.

A large retail specialty store retained a public-relations agency to conduct a PR program for a new department the store was setting up. But it soon became clear that the store manager himself wanted to run the program. The agency people found themselves doing little more than carrying out fringe details.

"Why pay us to do a job you want to do your own way?" the agency asked the manager. By mutual consent, the agency' program was discontinued. ♦

"Having a wonderful time"

A LOOK AT EXECUTIVE VACATIONS

By De Ver Sholes

Condensed from Commerce

WHEN, WHERE, AND HOW do executives spend their vacations? To find out, the Chicago Association of Commerce and Industry questioned 1,013 Chicago executives on all management levels about their vacation habits and habitats. These are some of the survey results:

How much do businessmen spend on their vacations? Last year, about 56 per cent of the executives spent between \$500 and \$1,500 on their vacations. An additional 21 per cent spent more than \$1,500—ranging on up to more than \$5,000.

A separate breakdown was made of the answers of company presidents. It showed that, as a group, they don't spare the bank balance on vacation. The largest number of them —26 per cent—spent between \$1,000 and \$1,500 on their 1959 vacations—roughly \$500 more than executives in the lower echelons, who spent between \$500 and \$750.

The average expenditure for all executives—middle managers on up to top brass—amounted to \$1,140, while the average for presidents alone was \$1,475. The lowest-ranking group of executives averaged \$817. While 4 per cent of the presidents spent more than \$5,000, only 1 per cent of other types of executives spent that much.

Where do executives spend this money? Actual vacations of 1959 and planned vacations for 1960 generally show the same pattern. Warm climates such as Florida, California, and the Southwest are first choice for 34 per cent. Mountains, northwoods, and lakes run a close second, selected by 30 per cent.

One difference in last year's vacation pattern and this year's is revealed in the expectation—expressed by 13 per cent of the businessmen—that their 1960 vacations will include travel abroad. This is a substantial increase over the 10 per cent traveling abroad in 1959. Because foreign travel probably costs more than any other type of vacation, total vacation expenditures in 1960 will probably exceed those for 1959.

European, Caribbean, and other foreign travel—the third largest category of vacation activities in both 1959 and 1960—was followed in importance by "visiting relatives and friends," "vacation at home," and other types of vacations.

When is vacation time? Executive opinion was about equally divided among four alternatives on the ques-

tion of when to take vacations. Some businessmen take their vacations any time of the year they desire, and others take them whenever they can get away; a third group of executives take their vacations in the summertime only, while a fourth take part of their vacation in the summer and part in the winter. Some—about 10 per cent—always take a winter vacation. More winter vacations by far were taken in the presidents' category than by lower ranking executives.

Only 1 per cent of all executives last year took their vacations during a plant shut-down period—a very low proportion when compared to the 25 to 30 per cent of manufacturing workers taking their vacations during plant shutdowns.

The largest percentage of presidents (21 per cent) stated they took vacations when they could get away from business—an indication that often they cannot plan too far ahead for vacations because of possible business pressures.

What business activities do executives take with them on their vations? The survey shows that a large majority of all the executives reporting (67 per cent) attempt to sever all business ties while on vacation. Half of the presidents and chief executive officers cut their business ties completely. So do 76 per cent of the lower-ranking officers. About 10 per cent of all executives have their business mail sent to them on vacation, while 16 per cent of the presidents do the same. About 9 per cent of the presidents and 5 per cent of all executives took their 1959 vacations in the form of business trips.

What do executives do on their vacations? The single most popular activity for all business executives in 1959 was sightseeing in one form or another. It was very popular among the lower echelons of executives, preferred by about 30 per cent of them. It was also first choice of 25 per cent of the presidents—the largest single percentage group. Hunting and fishing ranked second for all executives (and for 20 per cent of company presidents), while participant sports and "just plain loafing" were tied for third most popular activity.

Vacation activities in 1959 closely parallel what executives expect to do in 1960. Sightseeing and touring rank first, "just loafing" second, hunting and fishing third, and participant sports rank fourth.

Who picks the place? Almost half of the executives (49 per cent) make their own decisions about where to vacation. A slightly smaller percentage (44 per cent) put the desires of wife and family first. Only 2 per cent take the advice of other company executives. In 1 per cent of the cases, doctors dictate where the executives will spend their vacations.

How long is the vacation? Of the 1,013 executives responding, the largest single group (37 per cent) took three weeks. Roughly 29 per cent took one month, and about 12 per cent use their own discretion. Only 1 per cent reported that they took no vacation at all.

Among the company presidents, about 33 per cent spent three weeks vacationing, and 20 per cent took a month. About 23 per cent of the

company presidents, however, made up their own minds on this matter. Eighty-one per cent said their companies frown on the accumulation of vacation time for use in subsequent years.

Many executives (47 per cent) preferred the service and luxury of first-class accommodations during their 1959 vacations. "Good accommodations, but not the most expensive" was second choice.

Almost one-third of all the executives indicated that their companies insist they take a vacation during the year. However, the majority (68 per cent) replied that mandatory vacations were not part of company policy, and that the decision was left to the individual. ♦

Why the Unions Are Shrinking

THE OFFICIAL NUMBER of paid-up union members in 1959 was 19,100,000—down 400,000 from the 1957 figure. This decline, however, is not a sign that the U.S. labor movement is weakening.

Here are some reasons for the decline:

The steel strike. This idled many in auto and other industries. Many men found nonunion jobs in other fields and dropped their union membership. In the two-year span, the United Auto Workers lost 293,500 members and the Steelworkers lost 290,000.

Automation. This, possibly even more than the steel strike, caused the drop in the steelworker and auto worker membership. Many who struck were trying to preserve their jobs against the threat of automation. Many of those who left for other fields did so not because of the strike so much as because they had little hope for work even if they won.

Economic changes. Among the sizable union losses were 42,000 Maintenance of Way Employees, 19,000 Street Railway Employees, and 17,400 Trainmen. Cutbacks in streetcar and railway service reduced the number of jobs.

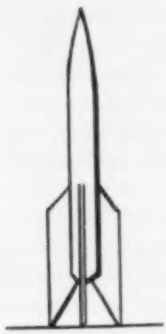
Military changes. Over these years, the government cut back its plane requirements and increased its missile orders. Many aircraft workers lost jobs—and surrendered union memberships—and the smaller number of missile men have not yet been thoroughly organized.

Changing locale. Industrial migration has played an important part. Factories in the highly-organized, high-wage Northeast have been shutting down while new ones have been opening in the unorganized, low-wage areas of the Southeast. Union men have given up jobs in New York to take nonunion jobs in California because their wives wanted sunshine. Mass home-builders have shown a tendency to select sites in unorganized areas.

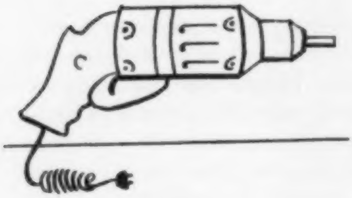
Changing ages. There's been a great turnover as a rising number of young people enter the labor force and oldsters are retired—perhaps too early—under retirement plans and Social Security lures. Many of the elders are imbued with unionism; many of the youngsters are not.

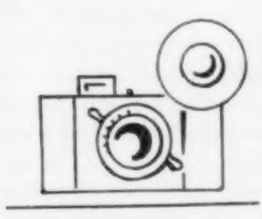
—Elmer Roessner, *Business Today* 3/28/60

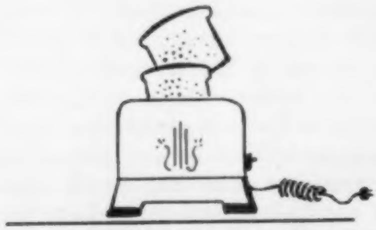
THE DRIVE FOR DIVERSIFICATION



Condensed from Printers' Ink







THE DRIVE TO DIVERSIFY is changing the face of American industry. Relatively few companies have product lines that look today like they did five years ago. And five years from now, even fewer are likely to look the way they do today.

Five years ago Armour meant meat packing, Bulova meant watches, and Curtiss-Wright was essentially a producer of airplane engines and parts. Today, 40 per cent of Armour's investment is in nonfood enterprises. Bulova has taken on radios and phonographs. And Curtiss-Wright seeks an increasing share of its volume from electronic, nuclear, and processed-metal products, from earth-moving

equipment, from an off-the-ground "air car" due this year, and—through a recent cooperative venture with the Peabody Coal Co.—from a pavement binder.

These are random samples of the diversification movement. Big and little firms alike are adding more product lines in the hope that these will give them more—and better—weapons for the battle of the changing marketplace.

Diversification is not accomplished solely through acquisition, though currently this appears to be the most popular method. Important results in broadening a company's product spectrum have been achieved through internal development as well as acquisition, through a combination of both, and through such team ventures as the one in which Peabody and Curtiss-Wright have set up a separate company to handle their jointly developed pavement binder.

Whole industries are being affected by the diversification drive. National meat packers, facing growing regional competition, have turned to a variety of nonfood products, including soap, detergents, and vitamins. Aircraft companies—with airframe manufacture slowly being overshadowed by missiles, and facing strong missile competition from the electronics giants—have themselves turned to electronics. Others have gone into still different fields; North American, for example, is now in prefabricated construction.

Why are companies diversifying? The most common goal, revealed in a *Printers' Ink* survey, is "to broaden our base of operations." Reasons for diversifying can be both good and bad. Among the most frequent good ones:

- To achieve growth in a market saturated by existing product lines.
- To achieve a better product mix, so that one product can offset the sales dip of another.
- To compete for buyers who prefer to save time by dealing with multiline suppliers.
- To utilize unused production facilities or marketing manpower.

Generally, authorities agree, there are two common bad reasons for diversification:

- To make up for the failure to develop existing product lines fully.
- To make a fast (but often illusory) profit on a quick deal—and sometimes lay the foundation for future problems greater than those that existed in the first place.

The benefits of diversification can be substantial—when it is done correctly. For example, the Flintkote Co., New York, primarily a roofing manufacturer when it undertook a diversification program three years ago, is today a supplier of varied housing materials. Before diversification, Flintkote could supply only 1 per cent of the materials used in a house; today it can supply 10 per cent. The company's sales last year reached a record $221 million.

To justify diversification, most companies cite either marketing or production considerations, or both. Marketing considerations appear to be paramount in the increasingly competitive market. The Budd Co., successful makers and marketers of heavy transportation equipment, proved less successful at marketing a wide range of acquired diversified products that

fitted logically into their production scheme. Budd boosted its sales by developing a marketing organization specifically to sell its diversified new lines.

Literature on the subject of diversification might suggest that formal policy, planning, and procedures are common, at least among bigger companies. A *Printers' Ink* examination of the issue, however, indicates that very few companies have established a management organization devoted to diversification or have evolved clear and detailed diversification policies.

One company—Philip Morris—has a "diversification group" headed by a vice president. But this is an exception. Generally, the chief executive officer and one or two deputies hold sole responsibility for exploring diversification possibilities.

A company may have what it considers a diversification policy. This, however, usually consists of a general, even vague, statement that the company desires to diversify into fields where its existing skills—together with those acquired or developed internally—promise growth. Few go into such details as precisely what kinds of fields the company will enter, and under what conditions (financial, engineering, production, marketing, etc.).

Many companies simply decide that they would like to diversify, and—with less pre-planning than a housewife on a shopping expedition—they begin "looking around" for something to make or buy.

Internal development, while less haphazard than the merger or purchase process, nevertheless is still a random process. Much emphasis is correctly placed upon research and development, but too often there is insufficient regard for how the new products are to be marketed. This actually happened to one giant electronics firm, which is now struggling with the problem of how to organize to sell some of the well-engineered but quite different products that its R&D department is developing in areas new to the company.

Printers' Ink, talking with people who have gone through the diversification mill, has come away with a hypothetical but experience-proven colloquy between novice and authority. It could go like this:

Q. Who should consider diversifying?

A. Every company—large, small, or medium-sized—regardless of its current product line.

Q. When?

A. Whenever there is a real need, and a true growth opportunity is present.

Q. Under what conditions?

A. Basically, when the company has the management resources in marketing and/or production—and the capital. But money alone is not enough; marketing and production skills are essential, and compatibility of product lines—with regard to marketing or manufacturing—may be crucial.

Q. How should one go about it?

A. Determine what's needed, and why. Set up a shopping plan to discover potential opportunities. Then weigh the opportunities against the problems, the challenge against existing capabilities. And take the long view. A quick profit can easily mean a long-term loss. ♦

Interchangeability of machine-tool parts can mean big savings of time and money to many U.S. manufacturers . . .

Coming Soon—Standardization for Machine Tools

Condensed from Business Week

AFTER YEARS of foot-dragging and, at times, out-and-out resistance, the machine-tool industry is finally yielding to an important concept: standardization. Machine-tool makers are on the brink of putting some identical dimensions in their products so that parts from machine tools of different makes can be interchanged.

Most U.S. toolmakers, with their fierce independence, find it hard to accept such standardization. They say they don't like the idea of someone else's cutting head strapped to their milling machine, for fear they'll be blamed for failures of the invading part. They are afraid of being limited in design. And they do not relish the idea of losing new equipment sales to used equipment that is more readily alterable. But the toolmaker has evidently met his match in his best customer—the auto maker. Chrysler, Ford, and GM for some time have demanded standardization in some tools. Where they've gotten it, they are already enjoying big savings: Some auto makers tooled up for the 1960 compact car engines for less than half the cost, and in half the time, that radically new powerplants require.

One of the first areas to feel the effect of large-scale standardization was the specialized, multiple-tool transfer machines. These often grow to be huge monsters with over 50 work stations, and many cost more than $1 million. They are designed for true mass production—they make one part only, but they make it by the millions at minimum cost. The trouble is that a major design change can turn such tools to scrap overnight, while designing and building new ones to make the new parts can eat up better than a year's time. With little more than token standardization, the auto makers minimized the waste from production equipment made obsolete by design change.

Other high production industries—appliance, outboard motor, and farm equipment makers—stand to gain,

too. Eventually, even metalworking shops using general purpose tools may benefit from interchangeable parts on lathes, drill presses, grinders, and milling machines. Subcommittees of the National Machine Tool Builders Association are planning to join with customers to work out standards for some parts of general-purpose tools. The program is voluntary, but big machine-tool customers are expected to give strong preference to standardized tools as they are available.

For all its implications, the standardization push is widely misunderstood and its present extent almost unknown to businessmen. Simply put, industry wants only enough standardization to establish uniform specifications for work clearance areas and for components of tools that form bases, connecting joints, and holding points. One object of the uniformity is to make it easier—or, in most cases, just to make it possible—to interchange jigs and fixtures, so that jobs can be switched easily from one machine to another. Another object is to make it less expensive to rework the equipment of production lines where several cutting, milling, or drilling operations are tied together in a single expensive machine.

Until a few years ago, the only standardization evident on most machine tools was in their motors (supplied in standard size by electric motor manufacturers) and in the use of inches as the basic dimension. Beyond that, it was a hodge-podge. The auto industry, recognizing the need for faster, flexible, and less costly changeovers, blazed the trail to standardization. In 1955, four big tool users—Ford, GM, Chrysler, and International Harvester—started working out standards that could be applied to all multiple-station production machines. Last year, their efforts paid off when Ford, GM, and Chrysler retooled for production of the compact cars for 1960. According to John Rye, general manager of F. Joseph Lamb Co.—which handled some of the retooling for all three—it was possible to rebuild a machine line for $750,000 to $1 million, compared with $1.5 million a new line would have cost.

The savings in time were equally impressive. Carl Lindell, plant manager for Lamb, estimates the time it takes to construct a new 75-station transfer line at eight to ten months. But the rebuilding of old tools takes only four to six months.

The four big users—after years of consultation with other user groups (including the Defense Dept.) and with many machine-tool builders—have achieved some standardization of production tools within the auto industry. Such standardization has confined itself to problems such as working heights of bases, mounting pattern holes, etc., which affect interchangeability but not design features—the selling points of individual toolmakers.

Buoyed by their success, the auto and truck makers were encouraged late last year to carry the battle for unification of existing standards into the area of general tools. In this fight they have been joined by such companies as Motorola, A. O. Smith, Bell & Howell, and Outboard Marine.

As with production tools, the study of general tool standards has emphasized—to some rather deaf ears—that

uniformity would in no way restrict engineering design. Four types of tools are under consideration: drilling, grinding, milling, and turning machines. The users' group is proposing specific areas for standardization with each machine, such as tool-attaching surfaces, fixture-attaching surfaces, work height, bench size, and standard nomenclature.

Final proposals for the areas of standardization were presented by the users to a group of machine-tool builders and to representatives of the Defense Dept. and the Air Force in Detroit on March 22. The proposals have now been circulated to the entire Commerce Dept. list of some 300 machine-tool builders in the U.S. and to members of the National Machine Tool Builders Association. Adoption of the proposals would carry standardization into almost every area of industry. ♦

HOW TO SELL YOUR IDEAS TO THE BOSS

By Robert S. Hall

Condensed from Nation's Business

THE HIGHER up any executive moves in his company's organization, the more skillful he must become in selling ideas to his superior. What does this salesmanship consist of, and how can a manager learn it? Executives who have developed their talents of persuasion mention seven successful steps for selling ideas to top management:

1. *Catch the interest of top management.* An idea can best be sold to executives when it interests them. Generally, the most marketable ideas are those that directly and significantly affect profits, volume, costs, or competitive position. And if a manager knows the specific interests of his superior, the idea's salability can be further increased by linking it to one or more of those interests.

2. *Recognize the importance of timing.* The timing of a proposal has an important influence on its reception. An idea that would be unsalable today could be the center of top management's interest next month. It would be bad timing, for example, to present an idea involving sizable expenditures at a time when working capital resources are strained. It would be equally unwise to suggest a comprehensive program for overhauling production methods when a new labor agreement is being negotiated, or to present almost any idea when a more important project—like the acquisition of another company or the introduction of a new product—has priority on management attention.

3. *Enlist the aid of associates—and share the credit.* One man, who headed the inventory department in a metal fabrication company, thought that the investment in certain finished—but slow-moving—items could be substantially reduced by stocking the parts and assembling them to order. He successively checked his idea with the assembly general fore-

man, the warehouse and shipping superintendent, the customer service manager, and the plant superintendent. Each raised problems that needed to be resolved, but each also made contributions to the plan. The customer service manager even won the acceptance of his sales manager. When the proposal was finally made to the manufacturing vice president, the original inventory manager had the full and active support of every interested party. He, as well as they, gained credit for a job well done.

From the standpoint of self-interest, this submerging of pride of authorship may seem unnecessarily altruistic. Company evidence, however, points to the fact that the man who is unwilling to share credit for his ideas is seldom able to sell them to higher management.

4. *Avoid the jargon of the specialist.* An idea is most readily salable when the men who will decide its worth can understand it. The manager who generates an idea must therefore present it in the clearest possible language and form. One of the easiest ways to kill an idea's acceptance is to present it in a way that implies that it could only have come from a highly trained specialist, and that a knowledge of the specialty is essential to proper understanding and appreciation of the idea.

5. *Present a balanced proposal.* An idea is accepted more readily when its presentation gives evidence of a complete and thoughtful coverage of the subject. A top executive has the right to expect the presentation to marshal all the pertinent facts, including an objective recognition of the risks entailed. For example, a change in the formulation of a product that is a leader in its field involves far greater risk—and therefore requires more effective supporting evidence—than a similar change in a minor product.

A presentation should clearly mirror a thorough and realistic appraisal of the company resources needed to carry out the idea. One sales manager had nearly persuaded his management to accept a large defense contract when someone questioned where the company would get the personnel to staff the project. It then became evident that accepting the contract would damage the company's regular business, since the management team could not effectively wear two hats.

The presentation should also include a practical approach for putting the idea into effect—the potential assignment of responsibility, the installation costs, and the time required. The manager making the presentation should be able to answer the question, "If we go ahead with this idea, what do we do on Monday morning?"

6. *Learn where to compromise.* The chances for selling an idea are materially improved by knowing what compromises can be accepted without damaging the plan. Thus a manager must be able to differentiate between the conceptual aspects of the idea and the details of its application.

A compromise on the concept invariably changes the character of the idea, and kills its original intent. But a compromise on the details for putting it into effect may often improve the original idea or speed up

its introduction. These details can actually be used as bargaining points to gain the plan's acceptance, win support, and induce action.

7. *Avoid an unfavorable decision.* Once an executive has gone on record as saying "no" to a proposal, the chances are slim of getting subsequent approval of it. Thus a strategic retreat from a position that looks as if it will lead to a negative decision leaves the door open for a return engagement on a different tack. Often, top management's reactions during the initial presentation will indicate the weaknesses in the plan that must be remedied in a subsequent presentation. ♦

Where To Look For Money

OCCASIONALLY, in order to finance the purchase of new equipment, a company must find money from outside sources. Here are some of the places to look, as reported in *Steel:*

Commercial banks are a prime source for short-term loans, and will make longer-term ones (usually up to five years) for regular customers.

Insurance companies offer long-term loans independently or with bank participation. A firm must pass a credit investigation that is just as strict as that made by banks.

Equipment vendors sometimes offer financing as part of their customer services. They may be able to offer a choice of financing plans, and may give a customer firm a break on price.

Pension and trust funds offer attractive interest rates, but applicants must pass rugged tests for acceptability.

Equipment financing firms offer programs tailored to a firm's needs and credit standing. Costs can vary substantially.

Industrial development groups will help with financing if they are reasonably sure that a firm will bring into the area a plant that will provide employment for an extended period.

Small business investment firms and the *Small Business Administration* itself can assist smaller companies.

Equity, where a firm is large or shows unusual growth possibilities, is a good route. Consult an investment banker about the use of common and preferred stocks.

Venture capital is often offered by groups and individuals who will take a risk in return for share of control or high rates of interest.

Commercial credit companies will buy notes receivable and accounts receivable, thus increasing a firm's working capital.

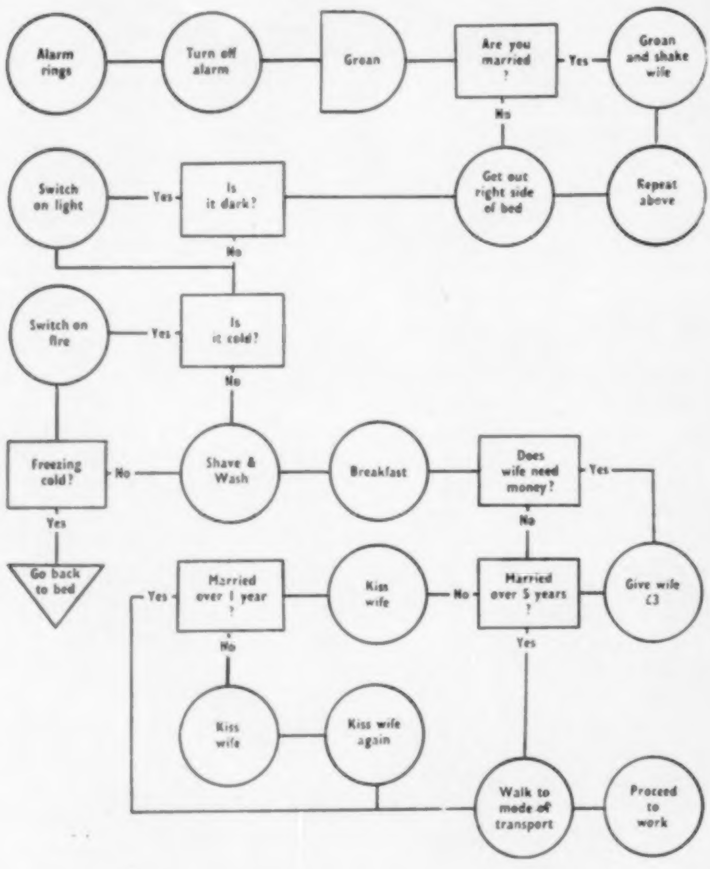
Foreign investors may risk capital if their country's economy is shaky. Warning: such an investor may be a foreign competitor intent on establishing a beachhead in the U.S.

Business associates can help a firm if the investment can benefit them, as in the case of new equipment giving the customer better quality, lower cost, or faster delivery.

Unions will sometimes give financial aid where sizable loss of employment is threatened.

How to Get to Work

THE FLOW CHART, a valuable aid to work simplification, has helped many an executive analyze his operation's efficiency. One man has now turned the tool on himself. Here, as conceived by the Esso Petroleum Co. and reprinted in the British *Office Magazine*, is a suggested flow chart of how to get to work.



BRIEF SUMMARIES

of other timely articles

GENERAL

INDUSTRIAL ACOUSTICS: SOUNDS AT WORK. By Vincent Salmon. *SRI Journal* (Stanford Research Institute, Menlo Park, Calif.), First Quarter, 1960. $1.00. Sounds are finding important uses in industry, the author says, as he describes many of the current and practical applications of sonic energy: testing (as with the recreation of jet noise to determine its effect on electronic gear, or the use of sound wavelengths to uncover flaws in solids); measuring (for example, to determine the liquid flow in a pipeline); chemical processing (using short-range shock waves to speed chemical reactions); and many others. He discusses problems of producing sonic energy economically, and concludes with a look at future applications of industrial sound.

HOW TO EVALUATE INVESTMENT PROPOSALS. By Seymour Friedland. *California Management Review* (University of California, Los Angeles 24, Calif.), Winter, 1960. $2.00. A practical demonstration of how capital budgeting can be used to evaluate new and existing investments and determine sources of funds to finance them, this article includes numerous examples illustrating the mechanics of determining the rate of return, comparing investment projects with fund sources to determine cut-off rate, and measuring the economic life of the investment. His approach to the reevaluation of existing investments differs from other methods, the author maintains, since it involves more than consideration of replacement of present assets with similar ones—it questions the desirability of maintaining a particular investment at all.

INDUSTRY ON THE SCREEN. By Ralph Caplan. *Industrial Design* (18 East 50 Street, New York 22, N.Y.), April, 1960. $1.50. Industrial producers last year put out 5,400 films to Hollywood's 223, and ran some of them in quality movie houses with first-run features, says the author, describing how the corporate image can be dramatically projected on film by using visual techniques that imaginatively exploit the material presented, rather than relying on an extraneous story line (such as boy gets girl *as well as* receiver tubes!). Liberally illustrated with photographs demonstrating special equipment and shooting techniques used in successful industrial films, the article presents steps in the film-making process, including selection of titles (one, sponsored by the National Macaroni Association, was *Use Your Noodle*).

HOW TO STAY OUT OF TROUBLE WITH THE FTC. By James G. Plunkett. *Sales Management* (630 Third Avenue, New York 17, N.Y.), March 4, 1960. 50 cents. It is the marketing executive's responsibility to prevent his company from being forced by intense competition into such unfair trade practices as

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price discrimination, deceptive sales methods, exclusive deals, and "push money," says the author, as he explains how *not* to run afoul of the Federal Trade Commission. He discusses FTC "trade practice rules" (voluntarily requested clarifications of existing laws, establishing methods of business behavior for an entire industry) and "guides" (interpretations of the law, issued by the FTC to expose malpractices, and released to the public), and mentions some specific preventive steps to take in order to stay within the law.

RESEARCH AND DEVELOPMENT

HOW TO EVALUATE RESEARCH OUTPUT. By James Brian Quinn. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), March-April, 1960. Reprints $1.00. For companies that have poured millions into research with little more than blind faith as an ultimate control, this article offers techniques for pinpointing the determinants of research success, measuring the results of each project, and calculating the extent to which the total research program supports company objectives. The author discusses both quantitative techniques —feasible in research areas yielding technology with commercial applications—and qualitative techniques—for use in areas such as war weapons research—and recommends follow-through action for exploiting program strengths and correcting weaknesses after evaluation.

SELECTING THE RESEARCH PROGRAM: A TOP MANAGEMENT FUNCTION. By C. Wilson Randle. *California Management Review* (University of California, Los Angeles 24, Calif.), Winter, 1960. $2.00. Failure of an R & D program more often results from faulty concepts on the part of top management than from technical deficiencies, according to the author. In this article, he discusses nine practical steps to follow for a more productive R & D program and emphasizes two points to consider before taking action: (1) in selecting the research program, a total integrated company viewpoint should be employed, rather than the unilateral decision of any one function; and (2) since selection of the program means deciding the future course of the business, it can only be made by top management.

OFFICE

10 QUESTIONS THAT TEST THE EFFICIENCY OF YOUR OFFICE. By H. B. Maynard, William M. Aiken, and J. F. Lewis. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), March, 1960. 50 cents. Symptoms of low efficiency in the office will stand out if the work is examined in the light of the ten questions presented and discussed by the authors: What is the character of the work? Have definite assignments and work counts been made? Are there written procedures? How common are interruptions in orderly work flow? What is the supervisor's work pace? How many reports are prepared, and what are their purposes? How many people work on a given document? What is the trend of office costs? How much overtime is there? Are reports and other paperwork often late? The authors conclude with a description and example of work sampling.

HOW 125 COMPANIES BUY OFFICE EQUIPMENT. By Edward M. Ryan. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), March, 1960. 50 cents. A recent survey among 125

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companies has revealed certain patterns and policies governing the purchase of machines, furniture, and equipment for the office, reports the author. For example, 80 per cent of the respondents set a specific dollar range within which the office manager can make purchases on his own authority; half the companies are guided in their purchases by a budget; the prime consideration in the purchase of furniture is its functionality; and 65 per cent of the firms expect to spend more on office equipment this year than last year. The study, in addition to providing a statistical survey of who does what, attempts to probe the reasons behind companies' purchase policies.

MICROFILMING EQUIPMENT. By Frank W. Bobb. *Office Executive* (1927 Old York Road, Willow Grove, Pa.), March, 1960. 50 cents. Are you thinking of converting your company records to microfilm? If so, this article provides a thorough comparative study of the types of cameras, readers, and related equipment available for a microfilming program, as well as general suggestions for using the equipment. Included are considerations for determining whether your microfilming should be done by your company or by an outside contractor; names, sources, specifications, and relative merits of rotary and planetary cameras; information on film and on film file cabinets; an analysis of microfilm readers, plus their manufacturers and specifications; and a suggestion for minimum personnel requirements for maintaining the microfilm program.

HOW TO SELECT AIR CONDITIONING EQUIPMENT. By Gordon V. Bond. *The Office* (232 Madison Avenue, New York 16, N.Y.), April, 1960. 50 cents. A recent five-month study of federal work areas shows that increased work output, fewer errors, and less absenteeism result from air conditioning offices, reports the author, who supports these findings with facts and figures from other studies (e.g., heat can reduce an employee's efficiency as much as 10 to 20 per cent). Maintaining that there is an air conditioning system to meet every need, he gives a rundown on the types and costs of equipment available, from window models to central systems, and describes the circumstances warranting installation of each particular type.

INDUSTRIAL RELATIONS

HOW TO RECRUIT AND HOLD TECHNICAL PEOPLE. *Factory* (330 West 42 Street, New York 36, N.Y.), March, 1960. $1.00. If your company sets up a crash program for recruiting technicians whenever the heat is on—when markets surge, a new product is introduced, or a defense contract is awarded—you are running the risk of paying a high price (up to $2,000 for every specialist hired) and still not getting the people you need, according to this article. Sound planning and effective interview techniques characterize the step-by-step method presented here for securing top-notch applicants at a reasonable price—a method that is designed to cut paper work, insure prompt action in interview arrangements, and allow on-the-spot acceptance when a particularly desirable applicant appears on the scene.

TAMING WILDCAT STRIKES. By Garth L. Mangum. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), March-April, 1960. Reprints $1.00. Management is treating the symptoms, not the disease, when it grants concessions as the result of wildcat strikes, declares the author, who cites six case histories demonstrating causes for such strikes and describes company policies used successfully in handling them (cardinal principle: *no* discussion of issues while strike is in progress). Lacking firmness when threatened, forgoing

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disciplinary measures, and bypassing grievance machinery are all disastrous practices which, in the author's opinion, not only undermine lower-level supervision but also (in most cases) create a threat to union officials whose leadership in negotiating is challenged if renegade strikers get away with pressure tactics.

PRODUCTION

JOINING AND BONDING WITH PASTES AND FLUIDS. By Arthur Gregor. *Industrial Design* (18 East 50 Street, New York 22, N.Y.), April, 1960. $1.50. Recent developments in chemical fasteners permit the joining of materials that are thick or thin, flexible or firm, and as dissimilar as metal and plastic—and industry is using them to solve problems of lightness, concealment, or assembly economy, according to the author, who lists three important precautions for designers: (1) allow for maximum possible contact area in a joint; (2) put the maximum amount of adhesive film to work (tensile and shear loadings give the greatest strength); and (3) investigate all properties of the adhesive to insure fulfilling service requirements.

WAREHOUSING TODAY. By Mervin F. Roberts. *Factory* (330 West 42 Street, New York 36, N.Y.), March, 1960. $1.00. Seven key trends, detailed in this article, emerge from a recent study of what's best in warehousing today: (1) increasing automation where practicable (companies are realistic, measuring costs against gains); (2) standardization of packages by size and markings; (3) more controls on paper work and materials-handling, resulting in reduced costs, continuous flow, smaller inventories, shorter handling time, and fewer man-hours; (4) faster communications (increasing use of two-way radio, for example); (5) more flexibility to accommodate inventory surges and drop-offs; (6) single-story buildings; and (7) higher stacking (today's top limit is about 20 feet).

FOREIGN OPERATIONS

INTERCULTURAL COMMUNICATION: A GUIDE TO MEN OF ACTION. By Edward T. Hall and William Foote Whyte. *Human Organization* (Cornell University, Ithaca, N.Y.), Spring, 1960. $2.00. One man's nod may be another man's negative if they are from different cultures, the authors point out in this examination of how human behavior varies from culture to culture and what the businessman in a foreign land must look for and understand if he is to establish good human and (consequently) good business relationships. The primary concern is with communication that goes beyond words—the intangible relationship of what is said to what is meant, voice tones, extent to which emotion is displayed (weeping, shouting, and violent gesturing connote sincerity to Arabs), physical contact—and the cultural impact of time, place, and social class relations on business situations.

WORLD TRADE REVIEW: *Fourteen Countries in the Far East*. *Foreign Commerce Weekly* (Superintendent of Documents, U. S. Government Printing Office, Washington 25, D.C.), February 29, 1960. 15 cents. The first in a series of four articles reviewing economic developments and prospects for individual countries of principal interest to U.S. traders and investors, this one covers 14 countries in the Far East; subsequent issues cover Western Europe, the Western Hemisphere, and the Near East and Africa. The article provides country-by-country information on imports, exports, investment procedures, trade controls, and prospects for U.S. share of trade.

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When the Job Outgrows the Man

(*Continued from page* 8)

by refusing to discuss the situation at all. On the other hand, if management takes pains to present its side of the story clearly, to spike rumors and misinterpretations immediately, and above all to accent the importance of getting on with the job, the passions aroused by the removal will tend to run their natural course and fade away.

COURSES OF ACTION

There are several ways of dealing with an executive who must be removed from his position. All of them have their own advantages and disadvantages, so management must choose the one that seems wisest in each case.

A New Assignment

Retaining the executive in the organization is often desirable, in order to continue to benefit from his experience and the company's investment in that experience. However, his effectiveness in any new position will be undermined if people suspect that he has become a figurehead. Therefore, the value of retention depends on whether the executive can be assigned to a function that fills a real need rather than a contrived one, and whether he can be entrusted with the full authority that such a job requires.

The Functional Bypass

When the executive is allowed to keep his title, salary, and status symbols, but is in effect "replaced" by assistants or other executives who take over his duties, appearances are preserved and the turmoil that could be caused by an open break is avoided. But in practice, it often turns out that the by-passing occurs only on paper. The men who are supposed to take over the actual responsibilities of the obsolete executive may approach their new jobs timidly, because they feel awkward and even a little guilty about assuming powers to which another man is supposed to be entitled. In addition, there may be confusion as to where the responsibility and authority really lie, due to equivocal instructions that were originally designed to,

take the sting out of the change-over. Further, behind-the-scenes politicking by the executive's sympathizers can effectively paralyze his "replacements" by involving them in battles of innuendo regarding their own qualifications.

For these reasons, the functional by-pass is not likely to be effective unless it is feasible to spell out the specific functions of everyone involved (even though the changes may not be made "public"); to guarantee management support to men assuming responsibilities for which they have no corresponding "official" authority; and to forestall intrigues by clarifying management's position in advance of the change and backing this up with a firm, no-nonsense attitude during the transition.

Each of these conditions presupposes a healthy managerial climate in which an obsolete executive probably would not have been kept in office for very long in the first place—which is another way of saying that the functional by-pass probably has a rather limited range of usefulness.

Assistance in Locating a New Job

Even though an executive may have been in a sense "outgrown" by one company, he may still have plenty of mileage left in him for another one. This is particularly true of men who are better geared to the dynamics of a smaller, more intimately operated company than to those of an organizational giant. Sometimes, too, company emphasis on a specific technology will "antiquate" executives with no special training or penchant in that area, although their abilities in their own accustomed bailiwicks remain unquestioned. Finally, even a very capable executive may have a personal outlook or trait that does not harmonize with the dominant strains in the company's "personality," in which case he would probably be happier and more effective elsewhere.

Circumstances such as these may make it desirable to help the executive to find a suitable position with another firm. Doing so could preserve the friendship of a man who might otherwise turn into a bitter and perhaps potent foe. It would also tend to bolster the morale of others in the organization who may be apprehensive about their own jobs; and this in turn would alleviate much of the grumbling and insecurity that often occurs after such a change.

However, it is hard to determine just how far this help ought to go, or indeed whether it might not be misinterpreted and therefore boomerang. "Help" can run the gamut from allowing a decent period for winding up one's affairs and for job-hunting all the way to locating a suitable new employer and bringing the parties together. No matter how much notice a man is given, he will tend to consider it inadequate if he has not made an acceptable new arrangement by the time the period is over; and any extensions may simply lead to the same result. On the other hand, directing him to another firm may appear to be a slick way of seducing him into leaving quietly. He may also resent the control over his future that is attempted by a company that has rejected him. Partly for this reason, management sometimes arranges matters so that the executive "happens" to be approached by a recruiter at about the same time that his position becomes precarious.

Early Retirement

Early retirement will usually eliminate much if not all of the financial stress imposed by separation, and it tends to be interpreted as a magnanimous gesture by persons who might otherwise feel that the executive was getting a raw deal. However, retirement—even with honors—may carry a stigma in the eyes of the executive who needs to feel that he is important, even indispensable, to his company. To such men, retirement is only a subtle way of being told that they have outlived their usefulness; and this can lead to bitterness or despair.

Early retirement is not an effective solution unless the individual is, or can be, psychologically prepared for it. Unfortunately, a man who has held a position for a long time despite his inability to perform its duties well usually has not been given any reason to doubt that he would keep it indefinitely. Also, being "retired" early is a dubious recommendation for a man who may decide to attempt to resume his career elsewhere later on.

Dismissal

There is merit to the argument that the unequivocal "clean break" avoids drawn-out departures with their attendant strain on everybody concerned and compels the individual to start thinking

realistically about his career prospects, rather than dwelling on a lost cause. Sometimes, in fact, this can provide the very shock a man needs to bring about a long-overdue reappraisal and spur him toward a more suitable and rewarding placement. However, management must recognize that the shock can also be numbing if the executive had become emotionally dependent on his old firm, in which case it could take him a long while to recover his aplomb. Further, if he does not withstand the blow, his demoralization will reflect very poorly on the judgment, not to say the humanity, of management. Instead of forestalling dissension, such a move may only worsen it. Before a "clean break" is attempted, therefore, management should consider all other possibilities and should be reasonably sure that the executive will roll with the blow rather than crumple under it.

MAKING THE BEST OF IT

Whatever course of action management considers, it should not temporize with personnel problems that have reached a point of no return. Once the issue of executive obsolescence is postponed, management begins boxing itself into a position from which there are few if any good ways out—and the situation almost always deteriorates from that point on. Any "solution" will probably have its share of uncomfortable or inconvenient aspects. But the longer the issue is postponed, the less palatable the alternatives are likely to become.

Certainly no decision to replace an executive should ever be made rashly. It is axiomatic that every other means of alleviating the situation should be carefully considered first. But once replacement is clearly indicated, the likelihood of bruised egos and tender consciences should not deter management from correcting a bad situation before it gets worse. ♦

IRON RUSTS from disuse, stagnant water loses its purity and in cold weather becomes frozen; even so does inaction sap the vigors of the mind.

—Leonardo da Vinci

Where in the World . . . ?

(*Continued from page* 13)

—those, for example, in which the finance or purchasing function extends overseas and must therefore be coordinated on a world-wide basis.

A world enterprise can be defined as a large, complex corporation, international in scope, that has its operations and staff services fully integrated throughout the world. This type of corporation requires a different management perspective from that of a company that operates purely domestically. As its business is global, so must management's perspective be global. Decisions can be made only after considering all the conditions and all the opportunities that exist throughout the world. In such a global framework, the chief executive's basic responsibility is to decide: Where in the *world* should the corporation's time, money, and effort be invested to produce the best long-term results for the stockholders?

In order to make such a decision, he must resolve many subsidiary problems that are also global in scope, such as:

- Where in the *world* can the company market its products most profitably?
- Where in the *world* can the company perform its research and development most effectively at the lowest cost?
- From where, and from whom, in the *world* should the company supply its markets, to insure that it gets the best prices, delivery, quality, etc.?
- Where in the *world* should the company make its products, so that it will be competitive in all its major markets?

WHERE IN THE WORLD?

These types of problems obviously require an outlook different from that of a domestic company. For instance, consider a company with an expanding market in the United States and the need to build a new plant. In the domestic company, the chief executive would ask: Where in the United States should we build this plant? In the world enterprise, the executive would ask: first, from where in the world, and from whom in the world, would it be most advantageous to supply this increased market; and second, if new produc-

tion facilities are required, where in the world would it be most advantageous to locate them?

As a result of the chief executive's global thinking, the other levels of management have to adopt this world-wide perspective. For example, the manager of the United States operations in a world enterprise would be constantly worrying about the vulnerability of his United States markets to foreign competition. He would have to consider the relative advantages of supplying the United States market from a "make-or-buy—*or import*" basis, and consider importing either from the corporation's overseas subsidiaries or from other foreign sources. He would also explore the opportunities for having some of his requirements, such as research, performed in different parts of the world. (One company recently found that it could do the type of research it wanted in Europe for about a quarter of what the same research would cost in the United States.)

An insular view that takes into consideration only domestic markets—either immediate markets or end-user markets—can sometimes be fatal. For example, some domestic companies in the semiconductor business, comparing their output with the total United States production, saw clear sailing ahead. But the companies producing the entertainment type of transistor suddenly found that their sales were not growing as rapidly as anticipated. The domestic demand for the end product, transistor radios, was increasing rapidly, but part of this demand was being met by Japanese imports. The part of the total demand fed by the imports was not evident in trade association statistics, which include only American companies' production and sales. The focus of these companies on domestic production had blinded them to the fact that the Japanese were "stealing" their end-user market.

The marine-products field has been facing a similar situation. But one company, having a world-wide perspective, was quick to realize what was happening. Unlike its domestically oriented competitors, who looked only at shipbuilding trends in the United States, this company kept its eye on world trends in shipping. Thus it was alert to the fact that, while United States shipbuilding had recovered from a dip experienced after the Korean War and recently had been fairly stable, shipbuilding was growing more rapidly overseas. It

was aware that German shipbuilding had recently caught up with that of the United Kingdom, the historical leader, and that Japan's production had shot up so much that Japan had become the world's largest shipbuilder.

With this knowledge of its end-user markets, the American producer of marine products shifted its marketing focus (and later its production base) to Europe and captured a large share of the market there. It has now switched its emphasis to the Japanese market. Meanwhile, many of its domestically oriented competitors limited themselves to the relatively small and mature United States market and failed to realize their predicament until the domestic profit-squeeze developed.

ORGANIZING A WORLD ENTERPRISE

Clearly, the world-enterprise perspective requires a new organizational concept. This concept is valid for any company doing business overseas, but its application will depend upon such things as the nature of the company, type of industry, extent of overseas

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"This is where Edgar makes things."

business, etc. For a highly developed company, the following organizational concept could serve as a model; others would have to adapt appropriate parts of it to their uses.

First, we must differentiate between two types of organization: the statutory organization and the operational organization. The statutory organization exists on paper only and is set up primarily to comply with legal requirements and to gain tax advantages. The operational organization spells out actual lines of operational control and authority.

STATUTORY ORGANIZATION

The statutory or "paper" organization is concerned primarily with the legal and ownership pattern of the parent corporation and its various operating units, which may have the statutory status of branches, subsidiaries, holding companies, etc. The goal of this paper organizational structure is to link the various parts of the enterprise so that the corporation can achieve maximum cash flow and profits.

The design of the statutory organization must aim at (1) optimizing the benefits of favorable statutory conditions—for example, tax havens and tax holidays, and (2) minimizing the effects of any legal restrictions. Because the statutory environment is volatile, the statutory organization must be flexible and capable of being easily modified to accommodate any changes in such things as the local tax and corporation laws.

Among the statutory-organization devices commonly used by American companies are tax havens in Panama, Liberia, Liechtenstein, Switzerland, and other countries; the Western Hemisphere Corporation; and the British Overseas Trade Corporation.

The statutory organization should be kept distinct from the operational one. An ownership pattern that is the best structure from a statutory point of view is not necessarily best from an operating point of view. If, for example, legal and tax considerations dictate that your Indian and Australian subsidiaries should be organized statutorily as subsidiaries of your British company, that does not always mean that operational control should be centered in England. Similarly, a statutory headquarters located in Switzerland for tax reasons might be completely incompetent to control operations of large sub-

sidiaries in Europe. Thus, the operational organization must be considered as an entity unto itself.

OPERATIONAL ORGANIZATION

The operational organization spells out the lines of actual operational control and authority, and the working relationships at the various levels of management.

There are two fundamental principles behind the operational organization of a world enterprise:

- Centralize responsibility for strategic planning and control.
- Decentralize responsibility for tactical planning and control of operations.

The operational organization based on these principles, therefore, has two major organizational components: a centralized world headquarters, and decentralized area management.

World Headquarters

The world headquarters embraces the whole upper echelon of management—the chief executive and his corporate staff. The composition of the corporate staff may vary. It may, for example, consist of two groups: a *functional staff* group comprising finance, legal, personnel, and purchasing, etc.; and a *product staff* group. Members of both staff groups have world-wide responsibilities. Together, however, they form the corporate staff.

On the functional staff, the vice president of finance, for example, will be concerned with such things as: Where in the world should the company invest? Where in the world should the company raise its capital? How can cash flow and profits be maximized throughout the globe? Similarly, the vice president of manufacturing is concerned with: Where in the world should the company manufacture to feed its world markets? How can the company arrange a cross-fertilization of know-how throughout the world? How can the company insure that adequate manufacturing quality standards are achieved throughout the world?

The members of the product staff, on the other hand, will be concerned with coordinating the enterprise's activities throughout the world for their specific products. For example, one member would be concerned with: Where in the world are the most profit-

able markets for this particular product? Where in the world would it be most logical to engineer and produce this product? In an electronics company, one product-staff member might be responsible for coordinating the corporation's activities in semiconductors on a world-wide basis. Now, because of the world situation for this product, he might recommend that the military types be engineered and produced in the United States, the industrial types in Europe and the United States, and, possibly, the entertainment types in Japan.

Thus, even though functional and product staff groups have separate and distinct responsibilities, their work is necessarily interrelated. The final strategic plans for all areas must be the result of an integrated staff effort.

Area Management

The area management has a more local outlook and therefore is less important as a factor in achieving integration on a world-wide basis. It is extremely important, however, in local planning and control.

The area-management concept basically calls for: (1) a division of the world into manageable geographical areas, and (2) the assign-

"Why can't he go to work now and worry about automation later?"

ment of managerial responsibilities for each geographical area to one man. The size of the regions and territories depends on the size of the company, the nature of the product, and many other specific needs of the company.

By having one man responsible for all company activities in an area, a company is in a much better position to avoid conflicts of interest that may occur if different functions are operating separately in the same area. For example, if one man is looking after the foreign licensing in an area, his actions may conflict with those of another man looking after the manufacturing operations in the same area. Another advantage of the area-management concept is that it puts the company in a position to capitalize on its collective strength in a multicountry area, to insure that maximum unified effort is brought to bear on a specific problem. For example, in the European area, the area manager is in a position to offer Europe-wide service facilities.

The arithmetical sum of the best individual performances of each operating unit in an area does not necessarily equal the optimum performance for the area as a whole. In the present stage of development of the European Common Market, for example, it might appear that the best course of action for the operating unit in each country would be to make the company's complete line of products in small quantities at each location. But for the area as a whole, this would obviously be a gross overinvestment and duplication of machinery. By integrating the efforts of all units in the area, however, it is quite possible that total costs could be cut and profits increased by making only certain parts of the product line in each country.

MANAGING A WORLD ENTERPRISE

Management in a world enterprise differs from that in a domestic company in four major aspects: (1) planning and implementation, (2) profit responsibility, (3) management controls, and (4) executive mobility.

Planning and Implementation

The world enterprise centralizes responsibility at world headquarters for *strategic* planning and control and decentralizes responsibility in the various areas for *tactical* planning and control.

Strategic planning takes place in the corporate headquarters and is directed to such questions as what industries the enterprise should be in, and in what countries. In view of the present keen competition in oil, for example, the top management of an international oil company might consider diversifying into another industry—perhaps petrochemicals. This is a strategic question, for it involves a whole corporation.

Another strategic question would be whether a company should diversify from military defense to reduce its dependence on a single buyer that is governed by the world's political environment. Still another would be whether a corporation should start establishing bases now in some of the underdeveloped nations for long-term benefits. Royal Dutch/Shell group has for some time followed a strategy of building facilities and establishing itself in many underdeveloped nations. Standard Oil of New Jersey, on the other hand, seems to concentrate on America and some of the developed countries.

Strategic planning and policy formulation can only be carried out at corporate headquarters. They cannot be decentralized, because decisions involving the corporation as a whole must be made by persons in a position to view the total enterprise.

Tactical planning, on the other hand, is assigned in the world enterprise to area management. Essentially, tactical planning is local operational planning to achieve the strategic objectives defined by the world headquarters. Obviously, it must be decentralized to the level where practical control can be exercised.

In the marketing field, for example, the area manager will be responsible for such things as selecting the best channel of distribution, the best type of sales force, and the best sales promotional programs. All these clearly demand real familiarity with the local scene, and only at the area-management level can sensitivity to local customs and conditions be assured.

Profit Responsibility

In a world enterprise, the importance of generating profits at various levels differs from that in a domestic company.

First of all, the statutory devices often used to protect and increase profits throughout the corporation as a whole sometimes

make it necessary to run a subsidiary at a loss. Obviously, if the plans and the statutory devices call for a subsidiary to break even or to lose money, the manager cannot be held responsible for making profits.

Further, the logistic patterns of research, manufacturing, procurement, and sales determined by world headquarters may affect the profit attainable in certain operating units. Assume, for example, that a company has a market both in Country X and in Country Y. In Country X, where the company has production facilities, taxes are very high, although labor is quite cheap. In Country Y, the opposite is true—taxes are low, but labor is expensive, and the cost of manufacturing is therefore high. In these circumstances, the area manager might decide to feed the market in Country Y from Country X, and to transfer the products at a low price to avoid Country X's high taxes on profits. As a result, the bulk of the profit on the product will be made in Country Y, where taxes are lower. Clearly, this arrangement will benefit the corporation as a whole, but the local manager in Country X will be restricted in his ability to make profits.

"On the horizon I see tax relief coming—for the little man."

Thus, the yardstick used at the individual-country level cannot be based on the manager's ability to maximize profits; in the world enterprise, this yardstick must be performance against approved plan. In other words, the area plan will tell the manager in Country X that his function is to supply products at the lowest possible cost to Country Y, and his performance will be measured on that score. Obviously, this method of allocating profit responsibility calls for a different type of control.

Management Controls

To facilitate management control over all the complexities of a fully integrated world enterprise, speedy and accurate reporting and dissemination of information on a world-wide basis is a necessity. If corporate headquarters is to develop sound strategic plans and effectively direct activities throughout the world enterprise, it must be kept fully informed of world conditions and company events.

Two characteristics are essential for such a system. The first is sensitivity. This is particularly important in the light of the forces at work in the world today and the inevitably increased tempo of change. Without a control system sensitive to these forces, the enterprise would be vulnerable to changes that would seem to appear overnight. But with sensitivity built into the reporting system, the enterprise would be alerted in sufficient time and could adapt itself accordingly.

The second characteristic is simplicity. This is even more important in a world enterprise than in a domestic one. A company with units throughout the world must have a means of translating different languages, different currencies, and even different accounting procedures into comparable terms. In order to enable operations and staff management to plan and control effectively, information and control systems must be simple and must be expressed in one language and in one currency.

Such characteristics are not easy to establish in a system that has to incorporate world-wide data for comparisons of operating results, of alternative courses of action, of market trends, and of availability and cost of raw materials, labor, components, and finished products—especially in cases where the location of operational profit centers differs from that of the statutory profit-accumu-

lation centers. But the successful operation of a world enterprise and the establishment of effective management controls depends to a great extent on the success of the company in achieving sensitivity and simplicity in its communications system.

Executive Mobility

In a world enterprise, top executives are expected to travel extensively and widely. No management information system, no matter how good, can substitute for first-hand exposure to economic conditions in the major markets throughout the world. In fact, in one highly successful world-wide company, all the top executives go around the world three or four times a year.

Junior executives must expect to relocate throughout the world many times in their period of training and development. Mobility is also expected of scientists and other staff specialists.

Naturally, in order to make this world-wide travel worthwhile, the executive may need to acquire additional skills, particularly foreign-language abilities. Furthermore, he must be prepared for many inconveniences. These are particularly acute when the executive has to leave a country of high standards of living, like the United States, for a country like India, where a much lower standard of living prevails.

PROBLEMS OF TRANSITION

Most companies making the transition from "doing business abroad" to becoming world enterprises will begin from a common ground: they are domestically oriented organizations whose time, effort, and money have been concentrated primarily on affairs and operations in the United States.

It will often be difficult for such a company to resolve problems requiring an integrated, world-wide solution without adopting the world-enterprise concept. But a domestically oriented company cannot expect to make the transition overnight; it will have to proceed in an orderly, gradual way.

The first step, of course, is to define the objective of the transitional program. Everyone should be aware that the goal is to adopt the world-organization concept in all the company's business affairs —to view the world as the company's total market, and to resolve

all strategic business questions in the light of alternative opportunities anywhere in the world.

The next step is to insure that members of top management understand their places in the new organization. Since the chief executive is the only one who has control over the entire corporation, it is he who must take the initiative and exercise leadership during the transitional period, and it is he who must insure that all members of management have guidance in extending their perspective to world-wide horizons.

With the new concept firmly established in the minds of the company's key executives, the way will be clear to taking whatever steps are necessary in the individual company to deal with the particular conditions and specific problems involved in making the changeover. ♦

Survey of Books for Executives

Hardly Ever Land

LIFE IN THE CRYSTAL PALACE. By Alan Harrington. Alfred A. Knopf, 501 Madison Avenue, New York, 1959. 263 pages. $4.50.

*Reviewed by Theodore B. Dolmatch**

The Crystal Palace is the home office of a company on which the sun never sets. Mr. Harrington was a member of its public-relations staff for about three years. He left the company because he felt "trapped in a labyrinth of benevolence. The labyrinth is comfortable, with a row of easy chairs along the way . . . Every year a gong rings and we advance one stage more toward retirement."

Now he writes about his life in the company, drawing an appalling picture of all its variations. We get a poet's-eye view of personnel testing, company newspapers, ghost-writing, and other easy targets. Executives, says Mr. Harrington, are smothered by kindness, protected by pensions, saved by committees—captives all of the benevolence of the corporate state.

But Mr. Harrington is modest and a man of good will. He is not quite sure *why* he is so set against the world he describes. He is puzzled because so few of his associates agree with him. When a former war hero, who has really fought with passion for great ideals, doesn't see the company in the same grim light that he does, Mr. Harrington "moved away from him in an increasingly bewildered state. Was this what all the lean and hungry partisans had been fighting for . . . ?"

His bewilderment is justified. Since the Crystal Palace is Mr. Harrington's own creation, who else can share in it and in its pain? The company he describes seems to make nothing and to employ no production workers; it is concerned only with speeches and reports, soft music and suburban greenery. The author feels deeply that all that is real in this small world has been lost, and he is right. But he has given us a world that is so small and special that *it* itself is

* AMA Publications Business Manager.

unreal. He writes as if his microcosm were the whole story. Somewhere, however, a smokestack belches forth black smoke, somewhere wheels turn and men sweat. In other buildings within the palace grounds, people meet budgets, worry about competition, succeed, fail, and grow tense.

Corporate life in America is not epitomized by a public-relations job. The object of his company, I am sure, is to make products and profit, not press releases. The crystal palace glitters because it is the frosting, not because it is the cake.

Life in the Crystal Palace is not only distorted, it is petty. Mr. Harrington searches for important themes —in a world that does not lack them —and comes up only with his crystal palace.

This book is typical of a whole rash of exposés of organization men and their environment. These books, of which *The Organization Man* was the best, help to convince the outsider that the business world is indeed a sorry place. The outsider is ready to be convinced, so everyone is happy.

What could really help us—insiders and outsiders alike—is a serious-minded examination of business in our culture. A cartoon version of the company helps no one but readers of the comic pages.

Mr. Harrington, finally, finds in the work of Miguel de Unamuno, the philosopher, a key question with which to end his book:

> All civilization addresses itself to man, to each man, to each *I*. What is that idol, call it Humanity, or call it what you like, to which all men and each individual must be sacrificed? For I sacrifice myself for my neighbors, for my fellow countrymen, for my children, and these sacrifice themselves in their turn for theirs, and theirs again for those that come after them, and so on in a never-ending series of generations. And who receives the fruit of this sacrifice?

If the "idol" is the company, then the sacrifice is seldom made except by men who would give themselves completely to *any* abstraction. If the idol is Humanity, then some of us must find the "fruit" in the act of sacrifice itself. This may not satisfy Mr. Harrington, but it will have to be enough.

Focus on Communications

MANAGING BY COMMUNICATION. By Willard V. Merrihue. McGraw-Hill Book Company, Inc., 330 West 42 Street, N. Y., 1960. 320 pages. $7.00.

*Reviewed by Roger R. Clouse**

This age of business specialization has witnessed the birth and development of a host of specialized fields concerned with relationships among people—employee relations, industrial relations, labor relations, public relations, human relations, community relations, and all the rest. It is refreshing to have a book that skirts the generalities that are frequently encountered in these fields to focus attention on the true foundation of all sound and harmonious human relationships—communications.

* Vice President and Secretary, Federal Reserve Bank of Cleveland.

Mr. Merrihue deftly and skillfully reviews the special areas of management to show that good communications techniques are literally the foundation and backbone of both the special "relations" fields and the other activities of management. He illustrates many of his statements and conclusions with examples and cases taken directly from active business life. His book leaves the reader sharply aware of the necessity of (1) reviewing, (2) improving, or (3) overhauling the communications procedures in his own organization or department, if maximum efficiency and successful operations are to continue into the future.

Managing by Communication is divided into five parts. The first is a general account of the communications process in the modern business organization. The next two parts describe the manager's and the first-line supervisor's roles in communications. The fourth part is concerned with communications principles, techniques, and media, and the last part describes specific management uses of communications.

Mr. Merrihue's numerous quotations and citations from books, magazine articles, and business manuals, and his description of the application of communications techniques to different phases of management, establish his book as a handy reference manual on the whole subject of communications. It might perhaps have been even more useful as a textbook and as a working handbook had a complete, up-to-date bibliography been appended.

Stressing the interest manifested by subordinates at all levels of the organization in good communications techniques, the author focuses on the necessity for management to pay continuous attention to effective and articulate communications in all operations of the business. As he points out, whether it be communicating praise or censure, securing employing participation, handling an economic crisis, or dealing with a strike (different chapters are devoted to each of these topics), good communications is the key to success in every case.

There is some risk that the author's emphasis on the fact that such specialized areas of management as industrial relations, public relations, and community relations are to a large extent simply the application of sound communications techniques may lead the reader to conclude that an extraordinarily large number of business problems or ills may be solved merely by invoking good communications procedures—surely, something of an oversimplification! It might also be charged that the principles expounded in Mr. Merrihue's book tend to be based upon big-business climate and pitched toward big-business application. This is natural enough, considering his personal background and experience in the General Electric Co. But the reader is left to apply these principles to his own organization, which may be quite modest in size compared with giant companies where communications procedures are in the hands of specialists or well-staffed departments. The author might have been rather more generous in helping the reader by specifically explaining how the techniques used by the in-

dustrial giants can be adapted by small or medium-sized companies.

Apart from these minor shortcomings, *Managing by Communication* is an interesting and practical treatment that might well serve as an "improvement manual" for all levels of management, as well as orientation material for the newcomer to managerial ranks.

Briefer Book Notes

(Please order books directly from publishers)

MARKETING

MARKETS OF THE SIXTIES. By the Editors of *Fortune*. Harper & Brothers, 49 East 33 Street, New York, 1960. 266 pages. $5.00. These twelve articles, originally published in the 1959 issues of *Fortune*, discuss the economic and social framework of our future markets and forecast the course of several specific markets. Though some of the articles will appeal primarily to marketing men, others should be of interest to managers in general.

TRAINING AND SUPERVISING SALESMEN. By Charles L. Lapp. Prentice-Hall, Inc., Englewood Cliffs, N. J., 1960. 223 pages. $5.95. Shows how more effective supervision can help to reduce turnover among outside salesmen. The author's recommendations are derived in part from his extensive surveying and questioning of sales managers, consultants, psychologists, buyers, and others.

MANAGEMENT OF THE SALES FORCE. By William J. Stanton and Richard H. Buskirk. Richard D. Irwin, Inc., Homewood, Ill., 1959. 712 pages. $8.70. A text for marketing students and executives. Among the subjects covered are sales organizational structures; the selection, training, and supervision of salesmen; sales forecasting and budgeting; sales analysis; and performance evaluation. Theoretical passages are illustrated with case studies and with frequent citations of actual practice.

HOW TO MAKE MORE MONEY BY SPECIALTY SELLING. By William Rados. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York, 1960. 276 pages. $5.95. Stressing the hard sell, the author describes formulas and techniques for each step of the selling process. Chapters conclude with "payoff assignments" for the salesman.

THE PRICE DISCRIMINATION LAW: *A Review of Experience*. By Corwin D. Edwards. The Brookings Institution, 122 Jackson Place, N.W., Washington, D.C., 1959. 698 pages. $10.00. The first comprehensive review of the workings and effects of the Robinson-Patman Act. The author, a former member of the Federal Trade Commission, examines the decisions of the FTC and the courts to ascertain the operative meaning they have given to the Act, and goes on to discuss the effects in 83 cases studied in detail. He concludes by offering some tentative suggestions for modifying both the Act itself and our national policy on price discrimination.

PROCEEDINGS OF THE SIXTEENTH ANNUAL CONFERENCE OF SALES MANAGERS. Edited by The Bureau of Business Research, College of Commerce and Administration, The Ohio State University. Ohio State University Publications, Columbus 10, Ohio, 1959. 101 pages. Gratis. Among the topics covered are ways to improve the company's advertising, selecting salesmen, and motivating salesmen.

SALESMANSHIP: *Modern Viewpoints on Personal Communication.* Edited by Steven J. Shaw and Joseph W. Thompson. Henry Holt and Company, Inc., 383 Madison Avenue, New York, 1960. 419 pages. $5.75. Emphasizing the contributions that the behavioral sciences can make to salesmanship, this book is primarily an anthology of essays on communications, social-class position of prospects, and the motivations of prospects. Also included are selected writings about salesmanship as an occupation, the role of salesmanship in distribution, and specific selling techniques.

ADVANCING MARKETING EFFICIENCY. Edited by Lynn H. Stockman. American Marketing Association, 27 E. Monroe Street, Chicago, Ill., 1959. 574 pages. $6.00 (members, $4.00). A record of the formal papers presented and a number of the discussions that took place at the 41st National Conference of the American Marketing Association in Chicago in December, 1958. Among the topics covered are integrated marketing, marketing implications of the jet age, competitive aspects of planned obsolescence, and a quantitative approach to foreign markets.

WHOLESALING. (Third Edition.) By Theodore N. Beckman, *et al.* The Ronald Press Company, 15 East 26 Street, New York, 1959. 705 pages. $8.00. In this extensively revised edition, new chapters emphasizing the managerial aspects of wholesaling deal with productivity and efficiency, stock turnover and merchandise planning, establishing and financing a wholesale enterprise, and performance measures and standards. An appendix containing specially prepared case problems provides practice in solving wholesaling problems.

CASEBOOK OF SUCCESSFUL IDEAS FOR ADVERTISING AND SELLING: *What's the Big Idea? Hundreds of Capsule Case Histories and Examples to Inspire Sales.* By Samm Sinclair Baker. Hanover House, Garden City, N.Y., 1959. 258 pages. $3.95. The author uses an anecdotal approach to illustrate many of his ideas: using the triple-success formula: (promise, proof, and importance); creating the big, basic, over-all themes; creating new ideas to re-energize old products; how to think it, do it, and say it differently; and putting over the big ideas in a big way.

CONSUMER EXPECTATIONS, PLANS, AND PURCHASES: A PROGRESS REPORT. By F. Thomas Juster. National Bureau of Economic Research, Inc., 261 Madison Avenue, New York, 1959. 174 pages. $2.50. A report on the first phase of a study of the role played by consumer intentions, expectations, and attitudes in the formation of spending decisions. The relationships of both household intentions and purchases to a large number of financial, demographic, and expectational variables are intensively examined, as is the historical behavior of the families participating in the study.

THE NEW ANATOMY OF ADVERTISING: *Applying Scientific Method to the Solution of Advertising Problems.* By Mark Wiseman. Harper & Brothers, 49 East 33 Street, New York, 1959. $5.95. Focusing on method, the author outlines what he believes to be the surest means of accumulating, evaluating, and synthesizing facts, and using the resulting conclusions to build effective advertisements. His program comprises three steps: creative engineering, creative interpretation, and testing.

TEXTBOOK OF SALESMANSHIP. (Sixth edition.) By Frederic A. Russell and Frank H. Beach. McGraw-Hill Book Company, Inc., 330 West 42 Street, New York, 1959. 566 pages. $6.75. In this edition, the authors have introduced an entirely new chapter dealing with self-management and have revised the first two chapters: salesmanship and the young man, and salesmanship in our economy. New sales cases are provided for study and discussion.

PACKAGING

PACKAGING FOR SALES AND SHIPMENT: *Some New Approaches to Modern Packaging Problems.* (AMA Management Report No. 36.) Packaging Division, American Management Association, Inc., 1515 Broadway, New York 36, 1959. 155 pages. $3.75 (AMA members, $2.50). Based upon material originally presented at the 1959 National Packaging Conference in Chicago, the twenty papers constituting this report are grouped around four themes: packaging for consumer sales, new materials and applications, packaging for shipment, and improved packaging and handling operations.

PACKAGE DESIGN ENGINEERING. By Kenneth Brown. John Wiley & Sons, Inc., 440 Fourth Avenue, New York, 1959. 263 pages. $8.50. A text intended primarily for the use of packaging draftsmen and designers with little or no advanced training in mathematics. The first half explains the basic engineering principles of package design—static and dynamic mechanics, strength of materials, and stress analysis. The second half deals with military and commercial applications and uses illustrative technical data provided by various companies.

PACKAGING RESEARCH: *An Inventory.* (AMA Research Study No. 37.) By Spencer A. Larsen. American Management Association, Inc., 1515 Broadway, New York 36, 1959. 207 pages. $6.00 (AMA members, $4.00). The heart of this book is a classified bibliography of research studies in packaging. It is supplemented by an alphabetized list of basic sources of packaging information. The author also describes current trends in research and reports on the findings of a nationwide AMA survey of the research needs and goals of packagers and suppliers.

INDUSTRIAL PACKAGING. By Walter F. Friedman and Jerome J. Kipness. John Wiley & Sons, Inc., 440 Fourth Avenue, New York, 1960. 536 pages. $11.50. To provide criteria for the selection of packaging materials, methods, and equipment, this manual sets forth the basic principles of industrial packaging and explains the most recent technological advances. Illustrated with photographs, diagrams, and charts, it also includes an economic and historical analysis of the field and a bibliography.

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